

December 1987

# TAX ADMINISTRATION

## IRS Can Improve on the Success of Its Problem Resolution Program



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United States  
General Accounting Office  
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**General Government Division**

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December 22, 1987

The Honorable John Heinz  
United States Senate

The Honorable Bob Packwood  
United States Senate

The Honorable William V. Roth, Jr.  
United States Senate

This report responds to your request that we review the Internal Revenue Service's (IRS) Problem Resolution Program. The report points out that the program was successful in assisting many taxpayers and discusses the need for IRS to (1) more timely identify taxpayers requiring special assistance, (2) improve its program evaluation methodology, (3) obtain more complete and accurate information on the causes of recurring problems, and (4) improve its normal assistance system and lessen the need for special assistance.

As arranged with Senator Heinz's office, we are providing copies of the report at this time to the Commissioner of Internal Revenue. However, unless you publicly announce the report's contents earlier, we plan no further distribution until 5 days from its issue date. At that time, we will send copies to other interested parties and make copies available to others upon request.

Sincerely yours,

William J. Anderson  
Assistant Comptroller General

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# Executive Summary

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## Purpose

Congress has been concerned about whether the Internal Revenue Service (IRS), in enforcing the nation's tax laws, can objectively serve taxpayers when disputes arise over these laws. Responding to these concerns, IRS in 1977 established its Problem Resolution Program. Because of its inability to respond quickly to many problems during fiscal year 1985, questions arose about IRS' administration of the program. As a result, Senators John Heinz, Bob Packwood, and William V. Roth, Jr. asked GAO to conduct a nationwide review of the program to evaluate it in terms of (1) workload, (2) effectiveness, (3) the impact of computer systems, and (4) implementation of prior GAO recommendations.

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## Background

The Problem Resolution Program was developed to (1) provide special assistance for taxpayer problem inquiries—those that IRS' normal system had failed to resolve—and (2) inform IRS management of recurring problems. While the program does not promise taxpayers that their problems will necessarily be resolved in their favor, it is intended to ensure that taxpayers receive fair and reasonable treatment. The program is operated by small permanent staffs who are assisted by staff from processing units (e.g., taxpayer service, collections, examinations) at service centers and district offices.

In order to be included in the program, taxpayer problem inquiries, whether by telephone, correspondence, or face-to-face contact, must satisfy certain criteria. The criteria basically involve thresholds on the number of taxpayer contacts and/or the amount of time that has elapsed. For example, if a taxpayer contacts IRS two or more times about a refund 90 days after filing a tax return, the taxpayer qualifies for special assistance.

GAO visited IRS headquarters to gather information on how the program was designed to run and visited four regions, four service centers, and four districts to determine how the program was implemented. GAO also sent questionnaires to a random sample of taxpayers to determine how well the program was operating.

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## Results in Brief

The Problem Resolution Program has been successful in achieving its taxpayer assistance objectives and helping to improve IRS' image in the eyes of taxpayers. Many of the issues identified in a 1979 GAO report

and GAO's recommended actions to address them, however, remain relevant. Various factors, both long- and short-term in nature, have contributed to a steady increase in program activity since GAO's 1979 report. (See p. 13.)

GAO found that taxpayers were generally satisfied with the assistance they received. (See p. 24.) However, IRS, by its own criteria, has not satisfactorily served all taxpayers needing special assistance. IRS employees were not obtaining enough information to identify problem inquiries. (See p. 28.)

IRS could take steps to improve normal assistance and lessen the need for special assistance. IRS could make normal assistance more timely for taxpayers and reduce the number of subsequent contacts if it encouraged taxpayers who have questions to use district office toll-free telephone lines rather than write to service centers. (See p. 33.) IRS also needs better information on the quality of its assistance. Current attempts by IRS to obtain taxpayer feedback and evaluate common causes of taxpayer problems are providing biased, incomplete, and inaccurate information. (See p. 34.)

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## Principal Findings

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### Many Factors Create a Demand for Special Assistance

IRS records indicate the special assistance workload has increased almost eightfold since 1979. Prior to fiscal year 1985, the increases were due to the expansion of the program to service centers and increased program awareness by both IRS staff and taxpayers. In fiscal year 1985, computer problems and errors by inexperienced staff caused taxpayers to contact IRS regarding late refunds or erroneous notices. Unclear verbal and written communications with taxpayers likewise contributed to increased taxpayer contacts with IRS. Taxpayers who called or wrote IRS found that the normal system could not adequately resolve their problems. Thus, many taxpayers qualified for special assistance. (See p. 13.)

### Taxpayers Satisfied With Special Assistance

Taxpayers with problems in 1985 were significantly more satisfied after receiving special assistance. The level of taxpayer satisfaction increased from 23 percent to 62 percent after special assistance. Their satisfaction was the same whether the assistance was provided by a district office or a service center. (See p. 24.)

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### Identifying Problem Inquiries

GAO found that many taxpayers either were not identified or were not referred in a timely manner for special assistance because IRS employees did not probe to see if the special assistance criteria were met. In many instances, IRS staff dealing with taxpayers were not experienced in the kinds of questions to ask. GAO believes revisions to documents IRS uses to collect information from taxpayers would help IRS to better identify taxpayers who meet the criteria. (See p. 31.)

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### Directing Taxpayers With Questions

At times, taxpayers do not understand the reason for a notice or what information IRS is requesting. IRS could improve normal assistance by directing taxpayers with questions to use the district offices' toll-free lines first instead of writing to service centers. By telephoning, taxpayers get answers to their questions more quickly and IRS employees can solicit more information, if needed, and thereby reduce the necessity both for subsequent contacts and special assistance. (See p. 33.)

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### IRS' Follow-Up Regarding Assistance Effectiveness

Improvements in IRS' evaluation methodology would produce reliable indicators of program effectiveness and identify the causes of taxpayer dissatisfaction. The way the question is written in IRS' questionnaire to assess taxpayer satisfaction encourages a positive response. In addition, the questionnaire does not ask why taxpayers are dissatisfied nor how many times taxpayers contacted IRS. Such questions would help IRS evaluate how well the special assistance referral system is working. IRS also excludes some taxpayers from follow-up when it believes follow-up would not be useful. Finally, the number of responses to the questionnaire are insufficient for IRS to make a systemwide program evaluation. (See p. 34.)

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### Identifying Causes of Problems

IRS' case coding system has not been an effective tool for detecting the common causes of taxpayer problem inquiries. Employees who handle special assistance cases are required to categorize their cases using an elaborate case coding system. However, due to limited employee training and experience, case codes are being applied inconsistently and incorrectly. (See p. 37.)

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### Recommendations

GAO recommends that the Commissioner of Internal Revenue take specific actions to (1) improve special assistance case identification, (2) provide more timely taxpayer assistance, (3) improve taxpayer follow-up

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efforts, and (4) obtain more complete and accurate information on recurring problems. (See pp. 39 and 40.)

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## Agency Comments

IRS generally agreed with the report and has some initiatives planned or underway that respond to GAO's recommendations or their intent. (See app. IV.) IRS is currently researching ways to (1) improve the clarity and effectiveness of its notices and its resolution of taxpayer questions, (2) increase the usefulness of its follow-up questionnaire, and (3) obtain more complete and accurate information on recurring problems. IRS is also attempting to obtain better information from taxpayers on prior contacts so that those who are eligible are properly identified and referred to the Problem Resolution Program.

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## Abbreviations

DIS	Distributed Input System
GAO	General Accounting Office
IDRS	Integrated Data Retrieval System
IRS	Internal Revenue Service
PRP	Problem Resolution Program

# Introduction

Each year, individuals and businesses are faced with the task of interpreting complex tax laws, forms, and publications in order to determine and pay the amount of taxes they owe. In its role as tax administrator, IRS answers taxpayers' questions on the tax laws as well as on IRS' actions taken on taxpayers' accounts. Many of these actions involve notices sent to taxpayers or IRS errors made in handling the millions of tax-related documents processed each year. When taxpayers have questions or problems they normally contact (1) the IRS unit responsible for the activity involved in the problem, (2) the IRS unit that generated the document causing the taxpayer's problem (e.g., IRS service center), or (3) an IRS taxpayer service representative.

In some cases, IRS' normal assistance channels do not resolve taxpayers' problems. To handle such cases, IRS has developed a special assistance program, the Problem Resolution Program (PRP), to (1) ensure that taxpayers have somewhere to turn when normal assistance fails and (2) help IRS identify and correct the causes of recurring problems.

## How the Problem Resolution Program Evolved

To reach the highest possible level of taxpayer satisfaction and compliance, IRS must respond quickly and precisely to questions asked by taxpayers. These questions may result from such things as the failure to receive a tax refund, confusion over tax laws, or some communication they have had with IRS—either written or verbal. Taxpayers faced with such problems usually seek help through IRS' normal assistance channels at a district office or service center. District offices usually receive taxpayer inquiries over toll-free telephone lines; however, some taxpayers make personal visits or write letters. Service centers usually receive taxpayer inquiries through correspondence.

While normal assistance is highly visible and accessible, it lacks certain critical elements—control, independence, and follow-up evaluations—to ensure that problems are truly resolved and that other taxpayers do not experience the same frustrations. The inherent weaknesses of normal assistance as a problem-solving system are as follows:

- Most taxpayer problems are handled on the spot with no IRS record of the taxpayer contact. As a result, recurring problems are difficult to identify and correct.
- Taxpayers are generally referred to the IRS unit that took the action causing the problem. As a result, there may be an apparent lack of objectivity in the way a problem is resolved.

- Follow-up evaluations are not required of IRS normal assistance units. Although employees are expected to informally identify and report the causes of taxpayer problems to management, no formal reporting is required.

Recognizing these shortcomings in normal assistance, in 1977 IRS introduced the special assistance system called PRP. This special assistance program is less accessible to taxpayers than normal assistance. To gain access, a taxpayer must usually be referred by an IRS employee who has determined that the taxpayer tried the normal channels of assistance and failed to get the problem resolved. Before a taxpayer's problem is referred to special assistance, one of the following criteria must be met:

- Refund:  
Taxpayer contacts IRS two or more times about a refund 90 or more days after filing a tax return.
- Inquiry:  
Taxpayer contacts IRS about the status of an inquiry made more than 45 days before.
- Notices:  
Taxpayer contacts IRS regarding a third or subsequent notice and indicates that IRS has not resolved a problem previously brought to its attention.
- Other:  
Taxpayer indicates that normal channels have not been successful in resolving a complaint or inquiry; or IRS personnel believe it to be in IRS' best interest to include the complaint in the PRP.

Once referred, the taxpayer's problem is given special assistance. This means that more control, independence, and follow-up evaluation are devoted to the problem than would be the case through normal assistance channels. Each taxpayer problem that is referred to PRP, except for those that IRS employees judge can be resolved on the spot with little chance of recurring, is recorded on a form, then dated and assigned a control number. Although problems are usually referred to the unit (e.g., Collections, Examination) that has responsibility for handling the problem, PRP personnel subsequently review the action taken to resolve the problem. Additionally, PRP personnel send follow-up questionnaires to a sample of taxpayers who received special assistance and code all cases to identify problem trends.

About 200 full-time staff members are assigned to PRP units at IRS headquarters and field locations. In addition, PRP units draw heavily on the

assistance of other district office and service center staff to actually handle the cases. In a one-time assessment in preparation for the 1985 computer conversion at service centers, PRP officials estimated that 1,142 staff members from other units, such as Taxpayer Service, Examination, and Collections, were resolving problem cases.

We were unable to determine a firm cost for providing special assistance. IRS estimates ranged from a low of \$12.37 to a high of \$57.21 per case. PRP officials provided the \$12.37 figure, which accounts for the cost of controlling a PRP case, follow-up and problem analysis, and training and program publicity. The estimate, however, does not include the cost of actually resolving the problem. Returns Processing and Taxpayer Service provided us with cost estimates per PRP case of \$48.65 and \$57.21, respectively. These two units, however, are only two of many IRS units that actually handle PRP cases. PRP officials said that IRS has not established a system to account for the total cost of providing special assistance.

## Prior GAO Evaluation

At the request of the Joint Committee on Taxation, we evaluated PRP as it was administered during 1977 and 1978. In the resulting report entitled How Taxpayer Satisfaction With IRS' Handling Of Problem Inquiries Could Be Increased (GGD-79-74, Sep. 18, 1979), we concluded that IRS could increase taxpayer satisfaction by improving certain aspects of its special assistance program. Specifically, we recommended that the Commissioner of Internal Revenue take the following actions:

- Require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and control. (See p. 31.)
- Increase the extent problem inquiries are handled and controlled by the district offices. (See p. 26.)
- Send comprehensive follow-up questionnaires to a statistically valid sample of all taxpayers with problem inquiries. (See p. 34.)
- Increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by GAO's taxpayer questionnaire survey. (See p. 37.)
- Ensure that IRS seeks ways to improve its communication of responses to taxpayers' inquiries as part of its efforts to simplify tax forms and instructions. (See p. 17.)

## Objectives, Scope, and Methodology

IRS experienced many problems that adversely affected taxpayers in fiscal year 1985. To assess how well PRP responded to taxpayers' needs, Senators John Heinz, Bob Packwood, and William V. Roth, Jr. requested that we review the program in terms of workload, impact of IRS computer systems, effectiveness, and implementation of recommendations made in our September 1979 report.

We visited IRS headquarters to gather information on the growth in PRP workload, the impact the 1985 computer conversion had on service center operations and PRP, and the measures that were taken to implement our 1979 recommendations. We also discussed the means used to assess the effectiveness of PRP and the results that have been obtained to date.

We visited the Central, Mid-Atlantic, Southwest, and Western Regions; the Cincinnati, Philadelphia, Austin, and Fresno Service Centers; and the Detroit, Philadelphia, Dallas, and San Francisco District Offices to evaluate the implementation of headquarters directives regarding PRP. We examined IRS' efforts to (1) identify taxpayers requiring PRP assistance, (2) evaluate the satisfaction of taxpayers who received this assistance, and (3) identify the common causes of problems requiring PRP assistance. These locations were selected to provide geographic coverage.

To assess PRP effectiveness, we randomly sampled 1,164 taxpayers who were among nearly 500,000 whose inquiries received special handling by IRS during fiscal year 1985. We used a questionnaire to determine how many times taxpayers had to contact IRS before they were referred to PRP and how satisfied they were with the assistance they received. The nationwide sample was selected by standard statistical techniques and stratified so that we could analyze responses from taxpayers who received special assistance from IRS district offices and those who received special assistance from service centers.

We also randomly sampled 1,268 taxpayers who received normal assistance from 4 of IRS' 63 district offices (Dallas, Detroit, Philadelphia, and San Francisco). Inquiries from these taxpayers could not be answered immediately by telephone assistants but required IRS personnel to recontact the taxpayer. Questions that require recontact are the only ones for which IRS records taxpayer identity. We sent a questionnaire to this group of taxpayers to determine whether they met the special assistance criteria even though they were not initially referred to PRP and what their levels of satisfaction were with the assistance they received.

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We determined from the questionnaire that 26 percent of these taxpayers later received special assistance through PRP. The results of the non-PRP questionnaire are generalizable only to other non-PRP taxpayers from those four district offices.

We developed our PRP and non-PRP questionnaires from discussions with IRS and congressional staff. We then pretested the questionnaires by administering them during personal visits with selected taxpayers of each sampled group. We asked each taxpayer to complete a questionnaire and offer comments and opinions. We also held discussions with them to see if they understood the questions and what their answers meant. As a result of the information gathered during the pretest, we modified the questionnaires.

The questionnaires were mailed in April 1986; follow-up efforts continued until August 1986. The questionnaire results are included in appendixes I and II. These results are presented in terms of percentages that have been weighted to reflect the proportion of each stratum, i.e., service centers and district offices comprised the two strata for the PRP questionnaire, and the four district offices comprised the four strata for the non-PRP questionnaire. Additional details on the sampling methodology, response rates, weights, and sampling errors are contained in appendix III. To substantiate and supplement the information received through the questionnaires, we reviewed a sample of closed taxpayer case files.

Our review was conducted between June 1985 and July 1987 in accordance with generally accepted government auditing standards.

# Many Factors Created a Demand for Special Assistance

Since 1977, taxpayers in increasing numbers have had their problems referred for special assistance provided by PRP. As shown in table 2.1, IRS records indicate that the number of taxpayers who had their problems resolved after receiving special assistance increased from approximately 79,000 in fiscal year 1977 to over 555,000 in fiscal year 1986, an increase of over 600 percent.

**Table 2.1: Growth in Number of Cases Resolved**

Fiscal year	Total cases	District office cases	Service center cases
1977	79,000	<sup>a</sup>	<sup>b</sup>
1978	66,000	<sup>a</sup>	<sup>b</sup>
1979	72,000	<sup>a</sup>	<sup>b</sup>
1980	210,857	156,296	54,561
1981	316,844	201,687	115,157
1982	255,918	169,265	86,653
1983	306,395	194,406	111,989
1984	377,385	254,943	122,442
1985	477,037	369,994	107,043
1986	555,194	423,335	131,859

<sup>a</sup>Only aggregate nationwide estimates were available for these fiscal years.

<sup>b</sup>Service centers did not have formal PRP offices during these fiscal years.

Various factors have contributed to this general increase in the number of PRP cases. Some of these factors are short-term in nature—such as (1) PRP policy and program changes or (2) the 1985 computer conversion problems—and have influenced PRP caseload growth in particular years. Other factors, such as (1) unclear communication between IRS and taxpayers or (2) problems with normal assistance channels, have influenced PRP caseload growth steadily over a number of years.

## Policy and Program Changes Contributed to Case Growth

Various PRP policy and program changes have led to a growth in the number of taxpayers who received special assistance. For example, a PRP official attributed a nearly 200-percent increase in the number of cases handled between fiscal years 1977 and 1980 to (1) PRP's expansion to the service centers, (2) increased IRS publicity informing taxpayers of the availability of special assistance, and (3) the introduction of formal training classes to help staff identify cases meeting the special assistance criteria.

The number of special assistance cases increased again in fiscal year 1981 when the Commissioner made a policy decision to refer all taxpayers to PRP if they requested it, even if they did not meet the special assistance criteria. He believed that if IRS was advertising the availability of PRP, taxpayers should not be discouraged from using it.

In fiscal year 1982, the program experienced its only major decline in activity. This was partially due to the Commissioner reversing his earlier decision to include in the program all taxpayers who requested special assistance. To ensure that normal assistance channels were not being ignored, IRS staff was directed to determine that taxpayers met the special assistance criteria before referring them to PRP. IRS officials also attributed part of the decline to improved handling, through normal assistance channels, of taxpayer problems involving invalid social security numbers and lost or stolen checks.

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## Computer Conversion Problems Led to an Increase in Cases

The IRS service center conversion to a new computer system was a relatively short-term phenomenon that affected PRP case growth in fiscal years 1985 and 1986. Because of service center processing delays, many taxpayers did not receive their refunds in a timely manner and others received notices to pay taxes already paid. Some of these taxpayers eventually qualified for special assistance.

As we reported in testimony before the Oversight Subcommittee of the House Ways and Means Committee on December 16, 1985, IRS encountered numerous problems in fiscal year 1985 that caused serious disruptions to service center operations. These problems related, in one way or another, to the introduction of a new service center computer system that initially provided insufficient capacity and inefficient operation. These problems included the following:

- Computer programs were developed that had inadequate checkpoint routines or no checkpoint routines at all. As a result, programs that failed had to be rerun from the beginning instead of from checkpoints.
- All 10 service centers encountered problems transferring tax return and payment data from the Distributed Input System (DIS) minicomputer to the master computer. Untimely processing of payment data was a major concern of service center management because payments not posted to taxpayers' accounts could cause taxpayers to receive erroneous balance due notices.
- Computer-related problems contributed to backlogs in the error resolution stage of the returns processing cycle, which is where IRS processing

errors and taxpayer errors identified by the computer are corrected. The backlog prevented returns from being processed in a timely manner.

Adding to the computer hardware and software problems was the fact that IRS had to operate the system with many inexperienced and untrained staff. In our December 1985 testimony, we described the problems that resulted from staff inexperience with the new computer systems. For example, some problems with data not transferring from the DIS minicomputer to the master computer were caused by operators and managers who were not fully trained. Service center officials said some data transcribers were not aware that if new data were entered into DIS before the DIS minicomputer had completed processing of previously entered data, the prior data would not transfer to the master computer. Consequently, payments were not credited to taxpayers' accounts and the amounts on the DIS-generated deposit ticket were less than the actual amount of remittances sent to the bank for deposit. The service centers also experienced similar problems transferring tax return data to the master computer.

As a result of the errors and delays caused by numerous computer conversion and inexperienced staff problems, more refunds were late in fiscal year 1985 than in the past. According to information compiled by IRS for an October 1985 briefing of the Office of Management and Budget:

"Refunds for individual returns have in the past been issued within four to eight weeks depending upon the date the return was filed . . . This past year, many more problems were encountered than usual causing an even longer lapse in refund issuance."

In addition, many taxpayers received erroneous notices. A November 1, 1985, report by IRS' Office of Internal Audit noted that

"Certain business tax returns and tax payments were not timely processed which caused erroneous notices. These notices either incorrectly advised taxpayers that they had not filed tax returns when they had already filed or erroneously billed taxpayers when they had already made payments."

IRS does not have statistics on the number of erroneous notices issued in calendar year 1985. However, during the first 9 months of 1985, as part of a quality review effort, IRS staff examined 1.48 million of 16.9 million math error notices before they were sent to taxpayers and found that 220,200, or 14.8 percent, were incorrect and had to be adjusted before

they were mailed. The remaining 15.4 million notices were sent to taxpayers without first being checked.

In an effort to find out why a refund check was late or why they received an erroneous notice, taxpayers turned to IRS for assistance. These taxpayer problems were directly reflected in the kinds of inquiries IRS received in fiscal year 1985. Responses to the PRP questionnaire we sent to taxpayers who received special assistance indicated that 68 percent had problems involving late refunds or notices of taxes owed. This is a significant increase compared to the results of our 1979 review, when 46 percent of the taxpayers who responded to our questionnaire had problems involving late refunds or notices of taxes owed.

The number of special assistance cases IRS handled continued to increase in fiscal year 1986. This was due to the lingering effects of fiscal year 1985 computer conversion problems. Overall service center operations ran more smoothly in 1986 than in 1985. Contributing to this was the fact that all of the service centers had additional central processing units and more peripheral equipment to process returns. Also, computer programs were more accurate than in 1985, checkpoints had been added to many software programs, and the run times of many programs were shortened. This resulted in increased availability of the Integrated Data Retrieval System (IDRS), allowing IRS assistants to review taxpayer accounts when they tried to resolve problems. Finally, service center staffs were more familiar with the computer input systems in 1986. As a result, operator errors did not lead to the issuance of a large volume of erroneous tax due notices as happened in 1985.

Nevertheless, PRP cases increased in 1986. According to an IRS official, the major contributing factor was IRS' ongoing efforts to resolve problems that resulted from the computer difficulties experienced in 1985. For example, the service centers were still processing some tax year 1984 refunds nearly a year after the end of the tax filing period. The result was that special assistance cases increased from 477,037 in fiscal year 1985 to an all-time high of 555,194 in fiscal year 1986.

## IRS' Unclear Communications to Taxpayers Contributed to the Demand for Special Assistance

Unclear communications (verbal and written) from IRS to taxpayers is a continuing problem that creates a demand for special assistance. In our 1979 report, we found that taxpayers were dissatisfied with how IRS communicated with them. In particular, we found that many taxpayers were dissatisfied with the clarity of IRS' communications. Accordingly, we recommended that IRS look for ways to improve its communications with taxpayers as part of its efforts to simplify tax forms and instructions.

After the issuance of our 1979 report, IRS internal auditors also found problems with the clarity of IRS communications with taxpayers. In two reports, the auditors addressed some of the problems taxpayers had with IRS correspondence, including computer-generated notices that taxpayers did not understand.

In response to GAO and IRS internal audit reports, IRS sought to improve its written communications with taxpayers. These actions included a (1) notice clarity study and (2) taxpayer correspondence study. The notice clarity study group was established in February 1980 by the Assistant Commissioner, Taxpayer Service and Returns Processing. This group was to review and revise computer-generated notices and letters to improve the clarity, tone, and format. The result was that three high-volume, computer-generated notices were modified and used beginning in February 1981. The Assistant Commissioner established a second group in July 1980 whose primary goal was to improve the clarity of correspondence. In August 1981, the group recommended and IRS implemented changes to 132 of 150 computer-generated notices and 210 of 750 computer-generated letters. The team also developed a guide for future use in reviewing notices, identifying problems, and revising notices or designing new ones.

The taxpayer correspondence study group was established on September 1, 1982, by the IRS Deputy Commissioner to determine whether sufficient procedural and management emphasis had been placed on timely, responsive replies to taxpayer correspondence. The group completed its study in August 1983. Its 45 recommendations, accepted by IRS management, were designed to improve the timeliness, responsiveness, clarity, and format of IRS correspondence to taxpayers. Six of these recommendations related to improving the format and clarity of language on tax forms and computer-generated notices and letters.

Despite these IRS improvement efforts, taxpayers responding to our questionnaires indicated they were still having difficulty understanding

what IRS was telling them. Of taxpayers who responded to our PRP questionnaire, 36 percent were dissatisfied with the clarity of IRS' communications to them through normal assistance channels. This included not only dissatisfaction with the notices and letters they received but also with IRS' verbal explanations. Similarly, 31 percent of the taxpayers who responded to our non-PRP questionnaire told us they were dissatisfied with the clarity of IRS' communications to them.

Taxpayers expressed dissatisfaction with the clarity of IRS' communications regardless of (1) whether the problem was resolved in the taxpayer's favor or (2) the education level of the taxpayer. As shown in table 2.2, high percentages of the dissatisfied taxpayers were those who said the resolution of the problem was in their favor or neither entirely in their favor nor IRS' favor.

**Table 2.2: Percentage of Taxpayers Dissatisfied With Clarity of IRS Communications**

<b>Final resolution of problem in:</b>	<b>Non-PRP respondents</b>	<b>PRP respondents (before special assistance)</b>
IRS' favor	25	25
Taxpayer's favor	47	49
Neither IRS' nor taxpayer's favor	28	26
<b>Totals</b>	<b>100</b>	<b>100</b>

Similarly, as shown in figure 2.1, taxpayers of all education levels appeared to have difficulty with the clarity of IRS' communications to them.

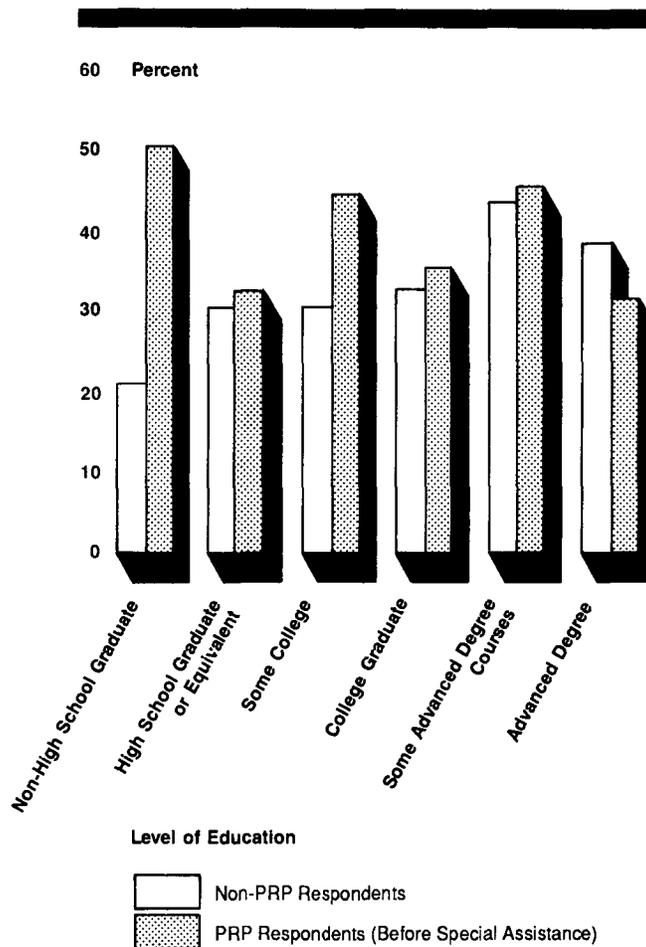
We included the PRP and non-PRP data in table 2.2 and figure 2.1 for ease of display. However, the data cannot be compared because the PRP data were taken from a nationwide sample and can be projected nationwide, while the non-PRP data are based on four IRS district offices and can only be projected to those offices.

Taxpayers who responded to our questionnaires cited examples of IRS communications that they felt were unclear. In some cases they understood what action IRS was proposing to take, but they were confused or unclear as to why IRS was taking the action. Several examples follow:

- One taxpayer complained that he received a handwritten letter from IRS saying his refund could not be sent because his return was "not complete." He was told that if he could send a copy of his return, a refund would be issued. He questioned why a copy of the same return would be considered complete.

Chapter 2  
 Many Factors Created a Demand for  
 Special Assistance

**Figure 2.1: Percent of Taxpayers Dissatisfied With Clarity of IRS Communications by Education Level**



- A taxpayer was confused by IRS notices because they referred to amounts he paid that were different from what he had actually paid.
- A taxpayer expected a refund check but instead received a bill in the same amount as the expected refund. He finally received a refund check but not for the amount he expected and with no explanation for the difference.

Such unclear communications contributed to the number of taxpayer contacts to IRS for assistance. According to our questionnaire results, taxpayers who were dissatisfied with the clarity of IRS' communications made on average four more contacts to IRS than those who were satisfied with the clarity of IRS' communications. And, as the number of contacts to IRS increased, taxpayers were more likely to meet the time and contact requirements under the PRP referral criteria.

## Normal Assistance System Problems Caused Taxpayers to Seek Special Assistance

Normal assistance accessibility and timeliness have been a growing concern for IRS. These problems have been especially acute at service centers and have contributed to a growth in PRP cases since fiscal year 1982.

A PRP official said that PRP workload increases in fiscal years 1983 and 1984 were due to the inability of the normal assistance channels to deal with taxpayers' problems resulting from a high turnover of IRS' service center staff. Historically, seasonal employees have constituted a large segment of a service center's staff. According to an IRS staffing document, for example, 61 percent of the returns processing staff at IRS' 10 centers as of February 28, 1987, were seasonal employees. In the past, many seasonal employees would return to the service centers from one year to the next, bringing their experience with them. The percentage of new hires in the seasonal workforce has been increasing, however, from 45 percent in fiscal year 1984 to 65 percent in fiscal year 1986.

Staff inexperience decreases production and, more importantly, increases the risk of error. The combination of higher error rates and lower productivity created a climate conducive to more special assistance cases. That is, higher error rates resulted in such problems as payments being applied to the wrong accounts or late refund checks, which in turn increased the frequency that taxpayers needed to contact IRS. At the same time, lower productivity meant that large backlogs of work were building up. At the close of fiscal year 1982, IRS service centers had an ending workload inventory of approximately 1.2 million adjustment, reject, unpostable, and unidentified remittance cases to carry into the next fiscal year. By fiscal year 1984, the ending workload inventory had reached 2.3 million cases.

Faced with these growing backlogs, IRS was unable to resolve many taxpayer problems within normal time frames. The effect was more taxpayers meeting the contact and time criteria, entitling them to special assistance. Between fiscal years 1982 and 1984, the number of special assistance cases increased from 255,918 to 377,385, or about 47 percent.

This trend of more taxpayers needing special assistance continued in fiscal year 1985. The problems service centers experienced in converting to the new computer system adversely affected the ability of service centers to respond to taxpayers' correspondence through normal assistance channels. Ending inventories at the 10 service centers swelled from approximately 969,000 pieces of correspondence by the end of October

1984 to 1,334,000 pieces of correspondence by the end of October 1985, or an increase of 38 percent.

A major reason given by officials at 8 of the 10 service centers for the high inventory levels was the unavailability of IDRS. IDRS is a computer system that contains information on active taxpayer accounts. It is used to research accounts in response to taxpayer inquiries, enter adjustments to accounts, and generate notices and letters to taxpayers. When IDRS is not available, tax examiners cannot do the research needed to answer or resolve a taxpayer's question. This affected taxpayers because service centers were less timely in responding to their inquiries. IRS' standard for the timely processing of correspondence is to have no more than 20 percent of inventory cases unresolved for more than 45 days. Of the cases in inventory at the end of October 1985, however, 73 percent were more than 45 days old.

The longer response times for normal assistance at service centers meant that more taxpayers met the time criteria for special assistance. Unable to receive a timely reply to their correspondence from service centers, many taxpayers called the district toll-free lines to find out why their refunds were late or why they were receiving notices.

Accessibility of IRS telephone assistors in 1985, however, was low in relation to other years. Our survey of the toll-free telephone answering system during the 1985 filing season revealed that a taxpayer could expect to reach an assistor on the first attempt only 31 percent of the time. Similar surveys during the 1982 and 1978 filing seasons indicated that a taxpayer could reach an assistor on the first attempt 62 percent and 78 percent of the time, respectively.

Despite lessened accessibility, IRS' toll-free telephone assistance experienced a decrease of less than one-half percent in workload—from 42.4 million completed calls in fiscal year 1984 to 42.0 million completed calls in fiscal year 1985. Many taxpayers apparently kept trying until they got through. While repeated unsuccessful telephone calls would not count as contacts, they would lengthen the time it takes to resolve a taxpayer's problem and could increase the number of taxpayers qualifying for special assistance.

Even when taxpayers were able to get through to district offices on the toll-free telephone system, IRS was less able to respond to their questions in fiscal year 1985 due to the unavailability of IDRS. District offices have access to taxpayer account information in IDRS via computer terminals

that allow them to communicate with a service center. When IDRS is unavailable at a service center, district offices tied to the system are also without taxpayer account information. This resulted in delays that increased the length of time it took IRS to resolve taxpayers' problems. It also could have resulted in taxpayers needing to recontact IRS.

With normal assistance less timely and accessible in fiscal year 1985, more taxpayers who contacted district offices qualified for and were referred to special assistance. District office special assistance cases increased from 254,943 in fiscal year 1984 to 369,994 in fiscal year 1985, an increase of 45 percent. The increase in special assistance cases at district offices in fiscal year 1985 more than offset a slight decrease in special assistance cases at service centers—from 122,442 in fiscal year 1984 to 107,043 in fiscal year 1985. Overall, special assistance cases increased from 377,385 in fiscal year 1984 to 477,037 in fiscal year 1985, or an increase of 26 percent.

Taxpayers who had problems found normal assistance to be more accessible in fiscal year 1986 than it had been in fiscal year 1985. Our survey<sup>1</sup> of the IRS toll-free telephone system during the 1986 filing season showed that a taxpayer could expect to reach an assistor on the first attempt 68 percent of the time. In 1985, a taxpayer could reach an assistor on the first attempt only 31 percent of the time. Normal assistance via correspondence, on the other hand, was still overburdened but service centers were steadily reducing their inventories. As of the end of January 1986, the service center correspondence inventory was about 1.1 million compared to about 1.0 million at the end of January 1985. While this represented an increase over the prior year, it also represented a 31-percent reduction from the peak inventory in July 1985 of about 1.6 million pieces of correspondence.

Many problems requiring special assistance surfaced as the backlog of correspondence was reduced. As mentioned earlier, the number of special assistance cases increased to an all-time high of 555,194 in fiscal year 1986.

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## Conclusions

PRP showed a steady increase in activity between 1977 and 1986. Its early growth was the result of program expansion to service centers and an increased program awareness on the part of IRS staff and taxpayers.

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<sup>1</sup>Tax Administration: Timeliness and Accuracy of IRS' Telephone Assistance on Tax Questions (GAO/GGD-86-87FS, June 18, 1986).

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**Chapter 2**  
**Many Factors Created a Demand for**  
**Special Assistance**

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Later on, the growth in special assistance cases was the result of higher error rates and lower productivity caused by increasing numbers of inexperienced service center staff.

Fiscal year 1985 was a very difficult year for IRS. Various computer problems and errors due to staff inexperience created an even greater need for taxpayers to turn to IRS for assistance. Also, on the basis of information obtained from our questionnaires, taxpayers still had difficulty understanding IRS communications to them.

When taxpayers turned to IRS' normal assistance system for help with a late refund, erroneous notice, or some unclear IRS communication, they found it less accessible than in prior years. Even if taxpayers were able to make contact with IRS, the resolution of their problems was frequently delayed because needed computerized information on their accounts was not available. Unable to get relief through normal assistance, many of these taxpayers eventually qualified for and were referred to PRP.

# Taxpayers Were Generally Satisfied With Special Assistance

According to IRS, taxpayers who have been frustrated in their attempts to have their problems resolved through normal assistance channels should expect to receive fair and reasonable treatment from IRS' special assistance program. The PRP handbook states that a goal of the program is to help change the view held by some that federal agencies are impersonal bureaucracies with little regard for the problems of individual citizens. The handbook also says that by doing so, the program will improve IRS' image of fairness and efficiency and thereby enhance its mission of voluntary compliance. On the basis of our questionnaire results, PRP was successful in satisfying taxpayers and in the process improved IRS' image.

## Taxpayers Were Satisfied Overall With the Special Assistance They Received in Fiscal Year 1985

As shown in table 3.1, overall taxpayer satisfaction with the treatment they received more than doubled as a result of receiving special assistance. Similarly, taxpayers were significantly more satisfied with individual aspects of assistance they received from special assistance as compared to the normal system.

**Table 3.1: Comparison of Taxpayers' Satisfaction Before and After Special Assistance**

Aspect of assistance	Percent satisfied before PRP assistance	Percent satisfied after PRP assistance	Percentage point increase
Length of time to get a response from IRS	20	62	42
Accuracy of response	25	62	37
Number of contacts made to IRS	20	54	34
Ease of getting through to someone at IRS by telephone	24	48	24
How clear or easy it was to understand what IRS was saying	43	66	23
Courtesy of IRS response	57	79	22
Overall evaluation	23	62	39

Also, as shown in table 3.2, the percentage increase in taxpayers who were satisfied after receiving special assistance was not limited to those whose problems were resolved in their favor.

**Chapter 3**  
**Taxpayers Were Generally Satisfied With**  
**Special Assistance**

**Table 3.2: Taxpayers' Satisfaction Analyzed by Final Resolution of Their Problems**

<b>Final resolution in:</b>	<b>Percent satisfied before special assistance</b>	<b>Percent satisfied after special assistance</b>
Taxpayer's favor	28	76
IRS' favor	12	31
Neither entirely taxpayer's favor nor IRS' favor	23	67

Nine percent (69) of the taxpayers who responded to our PRP questionnaire informed us that their problem had not been resolved by the time we contacted them. We judgmentally selected case files for 20 of these taxpayers to check the status of their cases in IRS records. In nine cases, IRS records suggested that the taxpayers' problems may not have been resolved when they answered our questionnaire, even though all of these PRP cases were closed by IRS as of September 30, 1985. We found that several of these taxpayers had not been mailed their refunds until sometime after we received a questionnaire from them—that is, after April 1986. In another seven cases, we found nothing to indicate that the taxpayers' problems were not resolved after they received special assistance. For example, even though in two instances taxpayers claimed they had not received refunds, we found that refund checks had been mailed to them prior to the time they received our questionnaire. IRS records did not contain sufficient information to determine the status of one case and IRS was unable to locate files for the remaining three cases.

**Taxpayer Satisfaction Level Was Comparable to Fiscal Year 1979**

Taxpayers who received special assistance in fiscal year 1985 were also at least as satisfied as taxpayers we reported on in 1979. As shown in table 3.3, taxpayer satisfaction was slightly greater in every aspect of assistance common to the two reviews except accuracy and courtesy, where satisfaction remained the same.

**Table 3.3: Comparison of Taxpayers' Satisfaction by Aspect of Assistance in 1979 and 1985**

<b>Aspect of assistance</b>	<b>Percent satisfied in 1979</b>	<b>Percent satisfied in 1985</b>
Length of time to get a response from IRS	57	62
Accuracy of response	62	62
How clear or easy it was to understand what IRS was saying	62	66
Courtesy of IRS response	79	79
Overall evaluation	58	62

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## Taxpayer Satisfaction Levels Were Comparable at District Offices and Service Centers

In fiscal year 1985, it did not appear to make much of a difference to taxpayers as to whether special assistance was provided by a district office or service center. Twenty-three percent of the taxpayers who were assisted by district offices were dissatisfied overall with the special assistance they received compared to 20 percent of the taxpayers who received special assistance from service centers. In our 1979 report, we noted that taxpayers were more satisfied with the special assistance provided by district offices.

Although IRS had not established PRP offices at service centers during the time period covered by our 1979 report, service centers did have special units that controlled, researched, and answered the more difficult taxpayer problem inquiries. When we compared the level of satisfaction of taxpayers who were assisted by these special service center units to that of taxpayers who received PRP assistance at district offices, we found that taxpayers assisted at district offices were more satisfied with the help they received. Questionnaire results from our earlier review indicated that 40 percent of the taxpayers with problems who received special assistance at service centers were dissatisfied compared to only 24 percent of those who were assisted at district offices. In light of these results, we recommended in our 1979 report that IRS increase the extent problem inquiries were handled and controlled by district offices.

In response to our recommendation,

- IRS agreed to instruct district offices to refer only those problem inquiries they could not resolve to the national office and service centers.
- IRS emphasized that taxpayers contact the appropriate district offices and called attention to the existence of toll-free telephone numbers.
- IRS referred all problem inquiries initially received by the national office to the appropriate district office or service center. In addition, IRS introduced PRP at the service center level.

We said in our 1979 report that introducing Problem Resolution Offices at service centers should increase the satisfaction of those taxpayers whose problems were handled by service centers. Our current PRP questionnaire results confirm that prediction.

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## Conclusions

IRS experienced many difficulties in fiscal year 1985 that also created problems for taxpayers and overloaded normal assistance channels. PRP was instrumental in resolving these problems to the satisfaction of most

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taxpayers. Taxpayer satisfaction more than doubled as a result of special assistance, was comparable to 1979 levels, and was about the same whether the assistance was provided by a district office or service center.

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# IRS Can Further Improve Its Assistance Effectiveness

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PRP was successful in satisfying many taxpayers and improving the image of IRS. Nevertheless, in fiscal year 1985 many other taxpayers with late refunds or erroneous notices were not identified and referred for special assistance when they met the criteria. IRS should continually strive to identify these taxpayers and refer them to special assistance. However, at the same time, IRS needs to keep the program from becoming so large that it supplants normal assistance. To reduce the number of taxpayers requiring special assistance, IRS could (1) encourage taxpayers with questions to call rather than write to IRS, (2) improve its follow-up system to obtain more useful information, and (3) develop a more meaningful problem analysis system. These actions would contribute toward improving normal assistance and thereby lessen the demand for special assistance.

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## Many Taxpayers Were Not Referred for Special Assistance

Many taxpayers with late refunds or erroneous notice problems in 1985 were not referred to special assistance at the time they met IRS criteria for referral. Although some of these taxpayers were later referred to PRP, others were not referred at all.

To determine how well IRS employees were identifying taxpayers who qualified for special assistance, we asked taxpayers about their contacts with IRS and the time period of these contacts. Using their answers and IRS' PRP criteria, we determined whether taxpayers were referred when they first qualified or afterward. We limited our analyses to taxpayers who had refund or notice problems because (1) these were the problems most often reported and (2) IRS' criteria for referring these problems are very specific.

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## PRP Sample Results

Of the 813 taxpayers who responded to our PRP questionnaire, 281 taxpayers who had a refund or notice problem provided us with sufficient information to indicate whether they were referred in a timely manner. As shown in table 4.1, 159 of the 281 taxpayers, or 57 percent, were not referred in a timely fashion.

**Table 4.1: Taxpayers Who Exceeded Criteria Before Being Referred to Special Assistance**

<b>Problem type</b>	<b>Taxpayers providing contact/ time information</b>	<b>Number of taxpayers exceeding criteria</b>	<b>Percentage of taxpayers exceeding criteria</b>
Refund	152	108	71
Notice	129	51	40
<b>Totals</b>	<b>281</b>	<b>159</b>	<b>57<sup>a</sup></b>

<sup>a</sup>Represents overall percentage rather than total.

To determine how reliable the taxpayer-supplied data was, we (1) asked taxpayers whether they had written records to support the number of contacts made, (2) asked taxpayers how confident they were that the number of contacts they gave us was accurate, and (3) reviewed IRS case files for some taxpayers to determine whether they substantiated the number of contacts the taxpayers claimed to have made.

With regard to the taxpayers' written records, 53 percent of the 281 respondents exceeding the criteria said they had written records on some of their contacts with IRS and 27 percent said they had written records on all contacts. In addition to saying they had some or all of the records supporting their claims, 62 percent of the 281 respondents said they were substantially to extremely confident in their estimates of the number of contacts they made to IRS. Another 23 percent of the respondents said they were moderately confident of their estimates.

To further assess how reliable it was for us to use taxpayer-provided information to determine whether they were referred to special assistance on a timely basis, we requested IRS' case files for 20 taxpayers exceeding the criteria. For the 16 case files IRS located, we found that information in all but one file showed that the taxpayers were not referred to special assistance on a timely basis.

## Non-PRP Sample Results

Of the 814 taxpayers who responded to our non-PRP questionnaire, 265 taxpayers who had a refund or notice problem provided us with sufficient information to determine whether they met the special assistance criteria. As shown in table 4.2, 176 of the 265 taxpayers, or 66 percent, met the criteria but were not referred.

**Chapter 4**  
**IRS Can Further Improve Its**  
**Assistance Effectiveness**

**Table 4.2: Taxpayers Who Met Criteria but Were Not Referred to PRP**

Problem type	Refund	Notice	Totals
	Number of taxpayers who met criteria	229	36
Number of taxpayers who met criteria but were not referred	150	26	<b>176</b>
Percentage of taxpayers who met criteria but were not referred	66	72	<b>66<sup>a</sup></b>

<sup>a</sup>Represents overall percentage rather than total.

IRS officials informed us that some of the taxpayers who had a refund problem may not have been referred to PRP because they were included in IRS' fiscal year 1985 Expedite Refund Program. Under this program, a taxpayer could file a duplicate return that would receive expedited processing if IRS could find no record of the original return and the taxpayer said at least 16 weeks had elapsed since the original return was filed. All of the taxpayers in our sample contacted IRS after August 31, 1985, which is more than 16 weeks after the April 15, 1985, filing deadline. Consequently, some of these taxpayers may have received assistance through the Expedite Refund Program. IRS did not retain individual records on this program. As a result, we could not determine whether any of the 150 taxpayers with a refund problem who were not referred to PRP were helped by the Expedite Refund Program.

As with the PRP questionnaire, we attempted to assess how reliable the taxpayer-provided data was for determining whether taxpayers met IRS' criteria for special assistance. We asked these taxpayers (1) whether they had written records to support the number of contacts made and (2) how confident they were that the number of contacts they gave us was accurate. Forty-four percent of the 265 respondents said they had written records on some of their contacts with IRS and 21 percent said they had written records on all contacts. In addition to saying they had some or all of the records supporting their claims, 66 percent of the 265 respondents said they were substantially to extremely confident in their estimates of the number of contacts they made to IRS. Another 18 percent of the respondents were moderately confident of their estimates.

We could not determine whether IRS' information also indicated that the non-PRP taxpayers met the criteria for special assistance. The information IRS maintains on these taxpayers generally consists of only a brief description of the problem and how to recontact the taxpayer.

## IRS Needs to Do a Better Job of Identifying Cases

Over the years, IRS has attempted to provide special assistance to all taxpayers who meet the PRP criteria. To help ensure this happens, a number of steps have been taken so that taxpayers with problems are identified and referred to PRP. However, as evidenced by our questionnaire results as well as an IRS study, many taxpayers are not being identified nor properly referred. This is due in part to IRS employees not obtaining enough information from taxpayers to determine whether they qualify for PRP.

Because we found that taxpayers did not always provide all of the information needed to permit an IRS assistor to determine whether the PRP criteria were met, we recommended in our 1979 report that IRS require all employees contacted by taxpayers to specifically request information on any prior contacts. This was to make sure that problem inquiries were more readily identified and referred for special handling. IRS agreed to issue specific instructions to frontline assistors to clarify the need for and the importance of probing during discussions with taxpayers to obtain information about prior contacts.

An IRS study also found that some taxpayers who met the special assistance criteria were not being referred in a timely manner or at all. A recent IRS internal audit completed in May 1986 of the Newark, Philadelphia, and Pittsburgh District Offices and the Philadelphia Service Center attributed PRP case identification problems to the high turnover, relative inexperience, and temporary details of staff from other functions to the Taxpayer Service Division. This review concluded that timely identification of cases qualifying for PRP handling was a problem because employees were not thoroughly probing the situation during taxpayer contacts and applying PRP criteria.

In addition to issuing specific instructions to frontline assistors, IRS has taken a number of other steps to ensure that taxpayers who meet the criteria are assisted by PRP. For example, IRS has developed training materials to make employees more aware of the criteria and has publicized the program in information provided to taxpayers and tax practitioners. IRS also tries to assess how timely its employees are in identifying taxpayers who meet the criteria. This is done by obtaining time and contact information from a follow-up questionnaire sent to taxpayers who received special assistance.

These are all reasonable approaches to addressing the timely identification of PRP cases, but to date they have not resolved it. What may be needed is a more structured approach to obtain complete information

from taxpayers. For example, IRS could require that certain information be obtained from taxpayers and recorded on a form. Forms are currently used for recording certain taxpayer contacts but do not provide for recording information needed to make a PRP eligibility determination.

One such form is the account referral form used for recording information on taxpayer contacts involving refund or notice problems. This form now collects such information as the identity of the taxpayer, a brief problem description, and the best way to recontact the taxpayer. The form does not call for information that directly relates to the PRP referral criteria, such as the number of prior contacts made by the taxpayer or the time period during which the taxpayer attempted to resolve the problem. IRS assistors are expected to probe for this information but it is not recorded. IRS employees do complete a PRP referral form if the initial information requested from or provided by a taxpayer indicates that the PRP referral criteria has been met. However, when an account referral form is prepared, there is not necessarily any information recorded that would indicate whether a PRP determination was made by the assistor and, if it was, whether it was made properly.

In addition to restructuring forms such as the account referral form, IRS could restructure its written requests and notices to taxpayers so that the PRP determination information is provided. For example, notices sent to taxpayers could ask them to provide documentation if they have made prior attempts to resolve the problem the notice is addressing. Currently, unless the taxpayer volunteers this information, IRS is unaware of any prior attempts to resolve the problem and does not know whether the PRP criteria have been met.

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## Actions IRS Could Take to Lessen the Need for Special Assistance

One major purpose of PRP is to provide taxpayers with an advocate. PRP has fulfilled this role to a great extent as indicated by (1) the level of satisfaction expressed by taxpayers who received special assistance and (2) the increase in its workload from 79,000 cases in fiscal year 1977 to over 555,000 cases in fiscal year 1986. The number of taxpayers who receive special assistance could be even greater if IRS improved its PRP case identification.

The goal of PRP, however, is not to supplant the normal assistance channels. Rather, the other major purpose of PRP is to identify recurring problems and improve normal assistance channels. Considering the cost to IRS of providing special assistance—estimates range from \$12.37 to \$57.21 per case—and the inconvenience taxpayers may experience

before receiving special assistance, improving normal assistance would serve all parties better. In the course of our review, we identified several ways that IRS could improve its normal assistance and lessen the need for PRP assistance.

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### IRS Could Direct Taxpayers With Questions to Try Telephone Assistance First

At times, taxpayers do not understand the reason for a notice or what information IRS is requesting. Directing taxpayers with such questions to call district office toll-free telephone assistance first rather than to write service centers would benefit both the taxpayers and IRS. For taxpayers, using toll-free telephone assistance enables them to get an answer to their questions quickly and, if their problems meet the PRP criteria, to be referred for special assistance quickly. For IRS, directing taxpayers to toll-free telephone assistance is less costly for the government and permits IRS employees to readily obtain any needed additional information.

As mentioned earlier, service centers for some time have experienced large backlogs of taxpayer correspondence. Thus, taxpayers who write to IRS may wait weeks before they receive answers to their questions. If IRS does not acknowledge the receipt of taxpayer correspondence in a timely manner, taxpayers are likely to recontact IRS, contributing even more to the backlog of correspondence. As the length of time and number of contacts increase, these taxpayers become more likely to meet the PRP criteria. Most taxpayers who use toll-free telephone assistance, however, receive answers to their questions while they remain on the line.

We also believe that the backlog of correspondence at service centers affected how soon taxpayers with problems that met the PRP criteria were identified. Our analysis of 700 special assistance cases handled at service centers in fiscal year 1985 indicated that within 1 week, only 38 percent of the taxpayers whose problems met the special assistance criteria were referred to PRP. In contrast, our analysis of 700 special assistance cases handled at district offices showed that within 1 week, 90 percent of the taxpayers whose problems met the special assistance criteria were referred to PRP.

There are also advantages for IRS in having more taxpayers with questions use toll-free telephone assistance rather than write to service centers. According to IRS information, it costs about \$5.00 to handle a piece of correspondence. However, when a taxpayer calls with a problem such as a late refund or unclear or erroneous notice, it costs IRS about \$2.50. Furthermore, when a taxpayer calls, an IRS employee can probe to gain a

thorough understanding of the problem and immediately request additional information if it is needed. This probing could also help the taxpayer fully understand the problem so that later contacts are unnecessary.

Many notices currently sent to taxpayers instruct them to call or write IRS if they have questions. Given the choice to either call toll-free or write the service center, many taxpayers do the latter. We recognize that either form of assistance is capable of resolving taxpayer problems and that offering taxpayers a choice is desirable. However, considering the advantages to both the taxpayer and IRS of using toll-free telephone assistance, we believe that IRS should encourage taxpayers who have questions to initially use toll-free telephone assistance before corresponding with service centers.

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### IRS Could Obtain More Reliable Information Through Its Follow-Up Effort

IRS could use feedback from taxpayers to make improvements in the normal and special assistance systems. Currently, IRS requests information from taxpayers through a follow-up questionnaire on the quality of the special assistance they received. This follow-up effort, however, has built-in biases and is too limited in scope.

Follow-up is considered a necessary element of complaint systems to assure that problems are resolved satisfactorily and to provide data for correcting problems. In our 1979 report, we noted IRS' PRP provided for follow-up, but the effort was too limited due to biases in its sampling methodology and an inadequate questionnaire design. Because certain taxpayer inquiries were not included in the follow-up process, we concluded that IRS did not have a statistically valid basis for assessing the effectiveness of its assistance activities or evaluating all the causes of taxpayers' problems. In addition, the question used by IRS to assess taxpayers' satisfaction—"Were you satisfied with the service you received under the Problem Resolution Program? (Yes or No)"—was too broad to provide much information. As a consequence, we recommended that IRS send comprehensive follow-up questionnaires to a statistically valid sample of all taxpayers with problem inquiries.

In responding to our recommendation, IRS agreed to consider sending questionnaires to a sample of all taxpayers who received special assistance but was silent on the nature and depth of the questionnaire. Our latest review showed that IRS' follow-up effort (1) fails to obtain information from many taxpayers who received special assistance, (2) uses

questions that tend to inflate the rate of reported taxpayer satisfaction, and (3) uses broad questions that provide limited information.

Certain types of taxpayer inquiries still receive no follow-up. According to the PRP handbook, the following categories of problem cases are exempt from follow-up actions:

- inquiries from taxpayers through congressional representatives and any IRS contact has been with the congressional representatives;
- taxpayers with overseas addresses;
- cases in which follow-up would serve no useful purpose because the complaints involved questions of law or technical decisions which adversely affected the taxpayers and could not be resolved to their satisfaction;
- tax practitioners or accounting firms who frequently contact PRP; and
- cases in which PRP has assisted in processing Form 3911 (Statement of Non-receipt of Refund).

IRS officials were unable to tell us how many special assistance cases were exempted for each category. However, district offices and service centers are beginning to record information on exempted cases in their PRP management information systems.

IRS' follow-up approach does not allow it to make a systemwide evaluation of PRP. Of 18,421 questionnaires sent to taxpayers in fiscal year 1985, only 6,511, or 35 percent, were returned. We believe a 35 percent response rate limits IRS' ability to accurately project the results over the entire universe of taxpayers who received special assistance.

In our national sample of 1,164 taxpayers who received special assistance, we achieved a 36 percent response rate after the first mailing and a 64 percent response rate after two follow-up mailings. We subsequently achieved a 70 percent response rate with a telephone survey of taxpayers who had not responded to our three mailings. We recognize that extensive follow-up may be too costly and burdensome for IRS to undertake routinely. However, by using a more centralized sampling approach on a national or regional level, IRS could send out significantly fewer questionnaires and at the same time achieve a higher response rate by sending out at least one additional follow-up questionnaire.

Concerning the way follow-up information is collected, IRS is still using the same question to obtain a rating of taxpayer satisfaction—"Were you satisfied with the Problem Resolution Program's (PRP) service? Yes

No.” The way the question is phrased encourages a positive response. Studies show that when a question focuses entirely on the positive and offers only a yes/no choice, respondents are more likely to choose a “yes” response because it is more socially acceptable. Furthermore, the question does not offer any middle ground—not satisfied nor dissatisfied—for the taxpayer to choose.

As we pointed out in our 1979 report, IRS needs to know more than if the taxpayer is satisfied with the assistance provided. IRS needs information on specific aspects of the assistance provided (e.g., accuracy, timeliness, and courtesy) so it can focus more specifically on areas needing improvement. In response to our report recommendation, IRS added two more questions to its follow-up questionnaire—“How many times did you contact IRS before you were referred to PRP?” and “What was the approximate date of your first contact?”

Although these questions provide information on how many contacts were made before referral and the approximate date of the first contact, IRS cannot determine from this information how many contacts fell within or outside the limits of its referral criteria. For example, a taxpayer with a late refund problem is eligible for special assistance upon making a second contact to IRS at least 90 days after filing a return. If a taxpayer informs IRS on its follow-up questionnaire that five contacts were made before referral and the first contact was made 60 days after filing the return, IRS knows that one contact did not meet the refund criterion. However, IRS does not know how many of the remaining four contacts were made before or after the 90-day criterion.

IRS is currently designing a new follow-up questionnaire to obtain better information on the causes of taxpayer dissatisfaction. The draft questionnaire includes questions on the reasons for repeated contacts to IRS (e.g., lack of response, incomplete response, and discourteous service). This information would help IRS improve its normal and special assistance. The questionnaire does not, however, obtain information on the number of taxpayer contacts in the context of the various special assistance criteria. Consequently, IRS is not receiving the full benefit of a management tool that could assess how well its employees are applying the selection criteria.

## IRS Could Develop a More Meaningful Problem Analysis System

To help it detect and take corrective action on recurring problems, IRS developed a system in which all special assistance problems are categorized (i.e., coded) by type and cause of problem. This system is not operating as expected because IRS' employees are not using the codes correctly or consistently.

As noted in our 1979 report, a formal approach to recognize recurring problems is beneficial. For example, IRS credited the evaluation of causes of special assistance inquiries with helping it take corrective actions on a long-standing problem it had experienced with invalid taxpayer social security numbers. We recommended that IRS increase its evaluation and correction of problems causing taxpayer inquiries. In response, IRS noted that efforts were underway to detect and correct recurring problems. In particular, IRS said that PRP officers had been given primary responsibility for making an in-depth analysis of special assistance cases to identify weaknesses, procedural inefficiencies, or problem trends.

From this in-depth analysis, IRS devised a case coding system to be used by all employees who provided special assistance. At the time of our 1979 report, this system was still in its infancy and provided IRS with only very general information on the nature of taxpayer problems requiring assistance. This was also the opinion of an IRS study group, which reported in August 1983 that the coding system was less valuable than expected because the coding structure was too general and each code captured many miscellaneous problems rather than a single trend. The study group recommended that more specific case codes be developed. Subsequently, IRS began to develop a more detailed case coding system.

By fiscal year 1985, the case coding system had evolved into a four-tiered structure. The system required IRS employees who provided special assistance to choose from (1) 51 codes to describe the return or other tax document that initially alerted IRS or the taxpayer of a problem; (2) 53 codes to describe the IRS action, if any, that caused or contributed to the problem; (3) 24 codes to describe the taxpayer action, if any, that caused or contributed to the problem; and (4) 6 codes to describe why the problem was referred to PRP. To familiarize employees with the use of the codes, IRS provided them with a 2-hour, self-instructional course in case coding.

IRS employees nevertheless had difficulty implementing the new system as evidenced by their improper coding of special assistance cases. A PRP headquarters report dated September 4, 1985, indicated that of 260

closed special assistance cases reviewed at 13 district offices and service centers, 167 (64 percent) were improperly coded. Many of these cases contained an error in more than one of the four elements coded. A more recent IRS internal audit assessed the accuracy of case coding at the Newark, Philadelphia, and Pittsburgh District Offices and the Philadelphia Service Center. The resulting report, dated May 14, 1986, indicated that 85 of 165 (52 percent) randomly selected cases reviewed at three of the sites were incorrectly coded. At the other audit site, employee accuracy was considerably higher as only 3 of 55 (5 percent) cases were incorrectly coded. The report attributed the high rate of error to the limited training and experience of many PRP caseworkers and to problems in interpreting the codes during the first year of implementing the new coding guidelines.

IRS can foster better taxpayer relations and achieve cost savings if it identifies and corrects recurring problems before they become special assistance cases. As mentioned earlier, IRS officials credited PRP with finally helping IRS take corrective actions on invalid taxpayer social security numbers. The corrective actions allowed IRS' normal channels of assistance to resolve these types of problems without referring them to PRP. This was one of the reasons the number of PRP cases decreased by 61,000 between fiscal years 1981 and 1982.

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## Conclusions

Information from our questionnaires indicated that IRS staff were not identifying in a timely manner many taxpayers who qualified for special assistance or, in some cases, at all. Modifications to IRS' account referral form and taxpayer notices would help ensure that IRS assistors at district offices and service centers obtain sufficient information to determine whether taxpayers should be referred to PRP. Requiring that IRS employees obtain and record or review information from taxpayers on the number of prior contacts and the time period during which the taxpayer attempted to resolve the problem would structure the assistance process to better aid employees in making proper referral determinations. Also, this would provide IRS management with the information necessary to assess how well employees are applying the PRP criteria.

Although we did not develop an estimate, we recognize that additional cost would be incurred in redesigning the forms and notices to capture this information. However, we believe the potential gains in taxpayer goodwill (as well as savings in administrative costs) that might be realized by the elimination of unnecessary contacts between taxpayers and

IRS would make revisions of the forms and notices a worthwhile investment.

At the same time, there are some things we believe IRS can do to improve normal assistance so that fewer taxpayers need special assistance. Normal assistance is less costly for IRS, and taxpayers should not have to experience the inconvenience that often precedes receiving special assistance. IRS could improve normal assistance by encouraging taxpayers with questions to use the toll-free telephone system rather than write to service centers. In this way, taxpayers usually get an answer to their questions more quickly and IRS employees can obtain more information if needed so that subsequent contacts are unnecessary. Reducing the length of time and the number of contacts taxpayers need to get answers to their questions also reduces the likelihood that their problems will become PRP cases.

IRS can also improve its PRP follow-up. To obtain useful and reliable information from taxpayers on assistance effectiveness, IRS needs to redesign the PRP follow-up questionnaire by (1) providing unbiased questions regarding taxpayers' satisfaction and (2) obtaining sufficient information to ascertain what aspects of assistance are satisfactory/unsatisfactory and how well IRS employees are identifying problem inquiries. IRS should also monitor and evaluate the appropriateness of decisions made to exclude certain taxpayers from follow-up.

IRS' efforts to identify and correct recurring problems could be made easier and more effective if it used a cadre of trained, rather than all employees to code a sample, rather than all of the problem cases they handled. By coding only a sample of problem cases, IRS could obtain the trend data it needs to identify and measure the extent of problems without the unnecessary cost of examining all cases.

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## Recommendations

We recommend that the Commissioner of Internal Revenue:

- Redesign the account referral form used by IRS employees and notices sent to taxpayers so that information is obtained on the number of prior taxpayer contacts and the time period during which the taxpayer attempted to resolve a problem.
- Revise IRS notices to request that taxpayers who have questions use the toll-free telephone system before writing to a service center.
- Improve the usefulness of the PRP questionnaire follow-up effort by (1) including questions on when contacts were made to assess how well IRS

employees are identifying special assistance cases, (2) including questions addressing the reasons for taxpayers' repeated contacts to IRS, (3) revising the question assessing taxpayer satisfaction to avoid prompting taxpayers to give a positive response, (4) monitoring and evaluating the appropriateness of service center and district office decisions to exclude certain taxpayers from follow-up, and (5) obtaining a more statistically projectable response rate.

- Obtain more complete and accurate information on recurring problems by having only a select number of trained employees code a statistically projectable sample of special assistance cases they handled.

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## Agency Comments and GAO's Evaluation

The Commissioner of Internal Revenue, in commenting on a draft of our report (see app. IV), agreed that improvements to IRS' normal assistance programs will lessen the need for PRP and said that actions have been taken since the 1985 filing season which have caused a decline in the number of taxpayers needing PRP assistance. In this connection, the Commissioner agreed that in most cases it is cost-effective and faster for a taxpayer to call a toll-free site rather than write to a service center. Further, the Commissioner said that IRS has initiated a project to test whether better use could be made of the telephone assistance system on notice questions. To improve PRP, he said IRS will (1) revise the PRP follow-up questionnaire, (2) review our concerns regarding the validity of the follow-up sample, and (3) consider our recommendation on the PRP case coding system in conjunction with a current review of the Problem Resolution Office Management Information System.

IRS indicated that it did not favor documenting prior contacts on a form such as the account referral form as a way of prompting employees to gather complete information on taxpayer inquiries and determining whether appropriate PRP referral determinations were made. IRS believes that its new training and instructions have improved its ability to determine when and if a taxpayer qualifies for PRP intervention and that new and revised quality assurance procedures are a better method for measuring if cases are being identified promptly. We agree that IRS' actions will help improve the identification and evaluation of PRP eligibility determinations. However, we believe that IRS should reconsider redesigning the account referral form and notices sent to taxpayers.

To improve its responsiveness to taxpayers who receive notices, IRS has designed some programs to reduce the need for taxpayers to contact IRS and to facilitate quick resolution of problems when contact is necessary. To reduce the need for taxpayer contacts, IRS is starting a Notice Clarity

Quality Improvement Project. To quickly resolve problems, IRS is giving assistors authority to input adjustments to taxpayers' accounts. We believe, however, that even with these improvements taxpayers will still have questions about the meaning of the notices they receive. To this end, IRS' pilot study of the feasibility and effectiveness of a separate toll-free number to be used only for questions about notices may show a separate number could improve its responsiveness to taxpayers with questions. Even so, we continue to believe that IRS notices should request that all taxpayers with questions call rather than write to IRS.

IRS agreed with our recommendation to revise the PRP follow-up questionnaire and is currently considering a new draft that will (1) ask specific questions about when prior contacts were made, (2) determine why taxpayers had to keep contacting IRS, and (3) reword the question assessing taxpayer satisfaction to allow for a neutral response. In addition, IRS has plans to review PRP cases exempted from follow-up and the validity of its sampling methodology.

IRS is aware that it needs to obtain more complete and accurate information through its case coding system. IRS is currently reviewing, and will be recommending major revisions to, the PRP management information system. As part of this effort, IRS said it would consider our recommendation to have only a select number of trained employees code a statistically projectable sample of special assistance cases they handled for problem analysis.

# Summary of Responses by Taxpayers Who Were Assisted by IRS' Problem Resolution Program

**U.S. GENERAL ACCOUNTING OFFICE**

**SURVEY OF TAXPAYERS ASSISTED BY THE IRS PROBLEM RESOLUTION PROGRAM**

**INTRODUCTION/BACKGROUND**

The U.S. General Accounting Office (GAO), an agency of the Congress, is reviewing the Internal Revenue Service's (IRS) Problem Resolution Program (PRP).

The purpose of this questionnaire is to gather information from taxpayers and businesses who were assisted by the Problem Resolution Program prior to 1986.

Most questions can be completed by checking a box or filling in the appropriate blank. Feel free to consult your records or anyone (e.g., relative, accountant) who may have assisted you with this problem. Individual responses will be seen only by GAO staff. Only summary data from all respondents will be presented to Congress.

Please complete and return this questionnaire within 10 days in the enclosed self-addressed envelope. In the event the envelope is misplaced, mail to:

U.S. General Accounting Office  
 ATTN: Anthony Krukowski  
 Patrick V. McNamara Federal Building  
 477 Michigan Avenue, Room 865  
 Detroit, MI 48226

Your participation in this project is of vital importance in evaluating the effectiveness of the Problem Resolution Program. Thank you for your cooperation.

**SECTION I. PROBLEM BACKGROUND**

PRP REFERRAL DATE: / /

PRP CLOSE DATE: / /

IRS determined your specific question or problem required special handling on the "PRP REFERRAL DATE" listed above. The problem was resolved on the "PRP CLOSE DATE" and your case was closed according to IRS. Please answer all questions as they relate to the problem referred and closed on these dates. (7-18)

1. Who represented you during the time this problem was being handled by IRS? (CHECK ONE.)

- PERCENT
- 61 1.  Myself
- 29 2.  Someone paid to represent me (e.g., accountant, lawyer, or other tax preparer)
- 2 3.  A relative or friend
- 4 4.  Congressional representative
- 4 5.  Other (PLEASE SPECIFY)

(19)

CASE NUMBER:           (1-6)  
 (For record keeping only)

2. Before you received this letter, did you know this specific problem had been handled by the IRS Problem Resolution Program? (CHECK ONE.)

- PERCENT
- 61 1.  Yes
- 39 2.  No (20)

3. How many other problems besides this one did this taxpayer have referred to the Problem Resolution Program between October 1, 1984, and September 30, 1985?

NUMBER OF PROBLEMS	PERCENT
0	57
1 or more	12
Don't know	31

4. In your opinion, was the final resolution of the question or problem in your favor, IRS' favor or neither? (CHECK ONE.)

- PERCENT
- 52 1.  Your favor
- 14 2.  IRS' favor
- 25 3.  Neither entirely your favor or IRS' favor
- 9 4.  Problem not resolved (22)

Some questions ask about contacts with IRS. A contact is defined as a communication to IRS made by you or someone representing you such as a relative or accountant. Contacts include direct telephone conversations (where you talk with someone at IRS), letters or in person visits. A busy signal or being cut off are NOT contacts.

5. By which of the following methods did you or someone on your behalf most often communicate with IRS about this problem? (CHECK ONE.)

- PERCENT
- 40 1.  Telephone
- 29 2.  Writing
- 4 3.  In person
- 25 4.  Other (PLEASE SPECIFY.)
- 2 5.  Don't know (23)

**Appendix I  
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6. Which one of the following tax activities best applies to your question or problem? (CHECK ONLY ONE.)

- PERCENT
- 2 a.  You contacted IRS about a technical tax law question
- 2 b.  You contacted IRS to request a blank form or a copy of a prior tax return
- 28 c.  You contacted IRS about a late tax refund
- 40 d.  You received an IRS notice about tax you owed
- 2 e.  You received an IRS notice about a tax audit
- 3 f.  You received an IRS notice requesting additional information
- 11 g.  You received an IRS notice about a federal tax deposit (employers only)
- 12 h.  Other (PLEASE SPECIFY.) (24)

9. About how long was it AFTER the six weeks had passed but BEFORE the "PRP REFERRAL DATE" listed on page 1? (CHECK ONE.)

- PERCENT
- 24 1.  1 month or less
- 10 2.  More than 1 month but less than 3 months
- 25 3.  More than 3 months but less than 6 months
- 16 4.  More than 6 months but less than 12 months
- 5 5.  More than 12 months but less than 24 months
- 6.  More than 24 months
- 20 7.  Don't know/Can't recall (29)

**GO TO QUESTION 20**

\*\*\*\*\*  
**IMPORTANT: EVERYONE SHOULD FOLLOW  
INSTRUCTIONS IN THE BOX BELOW:**

Your answer to the last question (Question 6) determines which other questions you should complete in the rest of this survey.

IF YOU CHECKED 6a or b  
please answer questions 7-9 and 20-30.

IF YOU CHECKED 6c,  
please answer questions 10-12 and 20-30.

IF YOU CHECKED 6d,e,f or g  
please answer question 13-17 and 20-30.

IF YOU CHECKED 6h,  
please answer questions 18-30.

**SECTION II: CONTACTS WITH IRS**

7. A tax law question or request is considered by IRS to be a problem six weeks after your first contact with IRS concerning this issue. About how many contacts did you make with IRS during the six weeks after your first contact? (FILL IN THE BLANK OR CHECK.)

NUMBER OF CONTACTS	PERCENT
0-1	13
2 or more	58
Don't know	29

8. How many contacts, if any, did you make AFTER the six weeks had passed but BEFORE the "PRP REFERRAL DATE" listed on page 1? (FILL IN THE BLANK OR CHECK.)

NUMBER OF CONTACTS	PERCENT
0-1	35
2 or more	44
Don't know	21

10. IRS does not consider a late refund to be a problem until three months AFTER you filed your return. About how many contacts with IRS did you make within the three month period AFTER filing your return? (FILL IN BLANK OR CHECK.)

NUMBER OF CONTACTS	PERCENT
0-1	40
2 or more	38
Don't know	22

11. How many contacts, if any, did you make AFTER three months had passed but BEFORE the "PRP REFERRAL DATE" listed on page 1? (FILL IN BLANK OR CHECK.)

NUMBER OF CONTACTS	PERCENT
0-1	8
2 or more	62
Don't know	30

12. About how long was it AFTER the three months had passed but BEFORE the "PRP REFERRAL DATE" listed on page 1? (CHECK ONE.)

- PERCENT
- 7 1.  1 month or less
- 27 2.  More than 1 month but less than 3 months
- 30 3.  More than 3 months but less than 6 months
- 16 4.  More than 6 months but less than 12 months
- 7 5.  More than 12 months but less than 24 months
- 2 6.  More than 24 months
- 11 7.  Don't know/Can't recall (34)

**GO TO QUESTION 20**

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Resolution Program**

13. How many contacts did you make AFTER receiving your first notice from IRS but BEFORE receiving your second notice? (FILL IN THE BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	33
2 or more	33
Don't know	34

14. How many contacts did you make AFTER receiving your second notice from IRS but BEFORE receiving your third notice? (FILL IN THE BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	24
2 or more	26
Didn't receive 2nd notice	14
Don't know	36

15. How many contacts did you make AFTER receiving your third notice from IRS but BEFORE receiving your fourth notice? (FILL IN THE BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	21
2 or more	13
Didn't receive 3rd notice	34
Don't know	32

16. How many contacts in all did you make to IRS beginning with your first contact and ending with the "PRP REFERRAL DATE" listed on page 1? (FILL IN THE BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
1	6
2 or more	61
Don't know	33

17. About how long was it AFTER you received your third notice but BEFORE the "PRP REFERRAL DATE" listed on page 1? (CHECK ONE.)

<u>PERCENT</u>	
16	1. <input type="checkbox"/> 1 month or less
17	2. <input type="checkbox"/> More than 1 month but less than 3 months
8	3. <input type="checkbox"/> More than 3 months but less than 6 months
10	4. <input type="checkbox"/> More than 6 months but less than 12 months
5	5. <input type="checkbox"/> More than 12 months but less than 24 months
2	6. <input type="checkbox"/> More than 24 months
42	7. <input type="checkbox"/> Don't know/Can't recall (43)

18. About how many times did you contact the IRS BEFORE the "PRP REFERRAL DATE" listed on page 1? (FILL IN THE BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	9
2 or more	68
Don't know	23

19. About how long was it AFTER your first contact with IRS but BEFORE the "PRP REFERRAL DATE" listed on page 1? (CHECK ONE.)

<u>PERCENT</u>	
11	1. <input type="checkbox"/> 1 month or less
21	2. <input type="checkbox"/> More than 1 month but less than 3 months
17	3. <input type="checkbox"/> More than 3 months but less than 6 months
14	4. <input type="checkbox"/> More than 6 months but less than 12 months
18	5. <input type="checkbox"/> More than 12 months but less than 24 months
4	6. <input type="checkbox"/> More than 24 months
15	7. <input type="checkbox"/> Don't know/Can't recall (46)

20. We recognize how hard it may be to remember the number of contacts you made to IRS. To what degree are you confident about the accuracy of the number of contacts you made to IRS about this problem? (CHECK ONE.)

<u>PERCENT</u>	
12	1. <input type="checkbox"/> Not at all confident
15	2. <input type="checkbox"/> Somewhat confident
23	3. <input type="checkbox"/> Moderately confident
31	4. <input type="checkbox"/> Substantially confident
19	5. <input type="checkbox"/> Extremely confident (47)

21. To what extent, if at all, do you have written records of your contacts with IRS? (CHECK ONE.)

<u>PERCENT</u>	
22	1. <input type="checkbox"/> No records of contacts
51	2. <input type="checkbox"/> Some records of contacts
27	3. <input type="checkbox"/> Records of all contacts (48)

GO TO QUESTION 20

GO TO NEXT PAGE

**Appendix I  
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Resolution Program**

**SECTION III: SATISFACTION BEFORE PRP**

22. BEFORE your problem or question was referred to the Problem Resolution Program how satisfied or dissatisfied were you with each of the following aspects of the IRS response? (CHECK ONE BOX FOR EACH ROW.)

ASPECT	PERCENT					
	1	2	3	4	5	6
1. Length of time to get a response from IRS	4	16	14	21	38	7
2. Accuracy of response	4	21	14	19	38	4
3. Number of contacts I made to IRS	4	16	18	25	34	3
4. Ease of getting through to someone at IRS by telephone	6	18	13	19	42	2
5. How clear or easy it was to understand what IRS was telling me	11	32	20	16	20	1
6. Courtesy of IRS response	19	38	19	9	14	1
7. Other (SPECIFY)						
8. Overall evaluation	4	19	17	28	32	0

COMMENTS ON ANY ABOVE ASPECTS: (57)

23. Please list the number of the ONE aspect (1 through 7 above) which contributed most to your overall satisfaction and/or the ONE aspect which contributed most to your overall dissatisfaction with the handling of your problem by IRS. (FOR EACH ITEM BELOW, CHOOSE ONE ASPECT NUMBER OR LIST "N/A" IF NONE APPLY.)

Aspect	PERCENT	
	Satisfaction	Dissatisfaction
Length of time	5	25
Accuracy of response	10	13
Number of contacts	3	10
Ease of getting through by telephone	9	21
Clarity of response	9	9
Courtesy of response	34	4
Other	1	10
None apply	29	8

**SECTION IV: SATISFACTION AFTER PRP**

24. How satisfied or dissatisfied were you with each of the following aspects of the IRS response to your question or problem AFTER it was handled by the Problem Resolution Program? (CHECK ONE BOX FOR EACH ROW.)

ASPECT	PERCENT					
	1	2	3	4	5	6
9. Length of time to get a response from IRS	24	36	12	12	12	2
10. Accuracy of response	29	33	15	9	12	2
11. Number of contacts I made to IRS	23	30	19	14	14	2
12. Ease of getting through to someone at IRS by telephone	19	29	20	13	18	1
13. How clear or easy it was to understand what IRS was telling me	27	39	16	8	8	2
14. Courtesy of IRS response	37	42	13	3	4	1
15. Other (SPECIFY)						
16. Overall evaluation	24	38	15	9	13	1

25. Please list the number of the ONE aspect (9 through 15 above) which contributed most to your overall satisfaction and/or the ONE aspect which contributed most to your overall dissatisfaction with the handling of your problem by PRP. (FOR EACH ITEM BELOW, CHOOSE ONE ASPECT NUMBER OR LIST "N/A" IF NONE APPLY.)

Aspect	PERCENT	
	Satisfaction	Dissatisfaction
Length of time	15	15
Accuracy of response	18	8
Number of contacts	4	8
Ease of getting through by telephone	7	22
Clarity of response	10	8
Courtesy of response	27	3
Other	4	6
None apply	15	30

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**Appendix I  
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**SECTION V: OTHER INFORMATION**

26. Who is completing this questionnaire?  
(CHECK ONE.)

- PERCENT  
75 1.  Individual taxpayer  
or business
- 3 2.  Friend or relative
- 13 3.  Professional preparer  
(e.g. accountant or  
tax preparer)
- 9 4.  Other (PLEASE SPECIFY.)

(72)

27. What is the highest level of education  
attained by the taxpayer who had this  
question or problem or the taxpayer you  
are representing? (CHECK ONE.)

- PERCENT  
5 1.  Non high school graduate
- 16 2.  High school graduate  
or equivalent
- 22 3.  Some college
- 22 4.  College graduate
- 6 5.  Some advanced degree  
courses
- 15 6.  Advanced degree
- 12 7.  Not applicable because  
taxpayer is a business
- 2 8.  Don't know (73)

28. What is today's date? (LIST DATE.)

\_\_\_\_ / \_\_\_\_ / \_\_\_\_ (month) (day) (year) (74-79)

**SECTION VI: COMMENTS**

29. If you had difficulty understanding  
correspondence from IRS, please enclose  
a copy of any notices, letters or other  
such correspondence from IRS related to  
your question or problem that were  
especially troublesome to you. Please  
CIRCLE the troublesome items.

30. If you have additional comments related  
to any item in this questionnaire or to  
taxpayer assistance services, please add  
them on this page. (80)

GGD-WRC-2/86

THANK YOU FOR RESPONDING

# Summary of Responses by Taxpayers Who IRS Records Showed Were Not Assisted by the Problem Resolution Program

U.S. GENERAL ACCOUNTING OFFICE

SURVEY OF TAXPAYERS RECEIVING  
IRS TAXPAYER ASSISTANCE

CASE NUMBER: 

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(For record keeping only) (1-6)

INTRODUCTION/BACKGROUND

The U.S. General Accounting Office (GAO), an agency of the U.S. Congress, is assessing taxpayer assistance services provided by the Internal Revenue Service (IRS). The purpose of this questionnaire is to gather information from taxpayers and businesses about the contact you had with IRS and how satisfied you were with the help provided.

Most questions can be completed by checking a box or filling in the appropriate blank. Feel free to consult your records or anyone (e.g., relative, accountant) who may have assisted you with this problem. Individual responses will be seen only by GAO staff. Only summary data from all respondents will be presented to Congress.

Please complete and return this questionnaire within 10 days in the enclosed self-addressed envelope. In the event the envelope is misplaced, mail to:

U.S. General Accounting Office  
ATTN: Anthony Krukowski  
Patrick V. McNamara Federal Building  
477 Michigan Avenue, Room 865  
Detroit, MI 48226

Your participation in this project is of vital importance in assessing the quality of services provided to taxpayers by the Internal Revenue Service. Thank you for your cooperation.

SECTION I. PROBLEM BACKGROUND

CLOSE DATE:     /     /

Previously, you or someone on your behalf called IRS about a question or problem. This specific question or problem was resolved and closed on the "CLOSE DATE" listed above according to IRS. Please answer all questions as they relate to the problem closed on this date. (7-12)

1. Who represented you during the time this problem was being handled by IRS? (CHECK ONE.)
- PERCENT
- 75 1.  Myself
- 13 2.  Someone paid to represent me (e.g., accountant, lawyer, or other tax preparer)
- 9 3.  A relative or friend
- 1 4.  Congressional representative
- 2 5.  Other (PLEASE SPECIFY.) \_\_\_\_\_ (13)

2. In your opinion, was the final resolution of the question or problem in your favor, IRS' favor or neither? (CHECK ONE.)
- PERCENT
- 48 1.  Your favor
- 11 2.  IRS' favor
- 26 3.  Neither entirely your favor or IRS' favor
- 15 4.  Problem not resolved (14)

Some questions ask about contacts with IRS. A contact is defined as a communication to IRS made by you or someone representing you such as a relative or accountant. Contacts include direct telephone conversations (where you talk with someone at IRS), letters or in person visits. A busy signal or being cut off are NOT contacts.

3. By which of the following methods did you or someone on your behalf most often communicate with IRS about this problem?
- PERCENT
- 62 1.  Telephone
- 11 2.  Writing
- 2 3.  In person
- 25 4.  Other (PLEASE SPECIFY.) \_\_\_\_\_
- 0 5.  Don't know (15)

**Appendix II  
Summary of Responses by Taxpayers Who  
IRS Records Showed Were Not Assisted by  
the Problem Resolution Program**

4. The IRS instituted the Problem Resolution Office to handle difficult taxpayer problems. Were you ever referred to the Problem Resolution Office about this specific problem? (CHECK ONE.)

<u>PERCENT</u>			
26	1. <input type="checkbox"/>	Yes	
58	2. <input type="checkbox"/>	No	
16	3. <input type="checkbox"/>	Don't know	(16)

5. Which one of the following tax activities best applies to your question or problem? (CHECK ONLY ONE.)

<u>PERCENT</u>			
60	a. <input type="checkbox"/>	You contacted IRS about a late tax refund	
19	b. <input type="checkbox"/>	You received an IRS notice about tax you owed	
1	c. <input type="checkbox"/>	You received an IRS notice about a tax audit	
4	d. <input type="checkbox"/>	You received an IRS notice requesting additional information	
2	e. <input type="checkbox"/>	You received an IRS notice about a federal tax deposit (employers only)	
14	f. <input type="checkbox"/>	Other (PLEASE SPECIFY.)	(17)

\*\*\*\*\*

**IMPORTANT: EVERYONE SHOULD FOLLOW  
INSTRUCTIONS IN THE BOX BELOW.**

Your answer to the last question (Question 5) determines which other questions you should complete in the rest of this survey.

IF YOU CHECKED 5a,  
please answer questions 6-8 and 16-24.

IF YOU CHECKED 5b,c,d or e,  
please answer questions 9-13 and 16-24.

IF YOU CHECKED 5f,  
please answer questions 14-24.

**SECTION II: CONTACTS WITH IRS**

6. IRS does not consider a late refund to be a problem until three months AFTER you filed your return. About how many contacts with IRS did you make within the three month period AFTER filing your return? (FILL IN BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	48
2 or more	34
Don't know	18

7. How many contacts, if any, did you make AFTER the three months had passed but BEFORE you received your refund? (FILL IN BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	15
2 or more	58
Don't know	16
Not refunded	11

8. About how long was it AFTER the three months had passed but BEFORE you received your refund? (CHECK ONE.)

<u>PERCENT</u>		
6	1. <input type="checkbox"/>	1 month or less
15	2. <input type="checkbox"/>	More than 1 month but less than 3 months
30	3. <input type="checkbox"/>	More than 3 months but less than 6 months
27	4. <input type="checkbox"/>	More than 6 months but less than 12 months
6	5. <input type="checkbox"/>	More than 12 months but less than 24 months
1	6. <input type="checkbox"/>	More than 24 months
12	7. <input type="checkbox"/>	Did not receive refund yet
3	8. <input type="checkbox"/>	Don't know/Can't recall (22)

**GO TO QUESTION 16**

**Appendix II  
Summary of Responses by Taxpayers Who  
IRS Records Showed Were Not Assisted by  
the Problem Resolution Program**

9. How many contacts did you make AFTER receiving your first notice from IRS but before receiving your second notice? (FILL IN THE BLANK OR CHECK.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	21
2 or more	44
Don't know	35

10. How many contacts did you make AFTER receiving your second notice from IRS but BEFORE receiving your third notice? (FILL IN THE BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	23
2 or more	23
Didn't receive 2nd notice	20
Don't know	34

11. How many contacts did you make AFTER receiving your third notice from IRS but BEFORE receiving your fourth notice? (FILL IN THE BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	18
2 or more	8
Didn't receive 3rd notice	39
Don't know	35

12. How many contacts in all did you make to IRS beginning with your first contact and ending with the resolution of your problem? (FILL IN BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	7
2 or more	48
Didn't know number of contacts	19
Problem not resolved	19
Don't know if problem is resolved	7

13. About how long was it AFTER you received our third notice but BEFORE your problem was resolved? (CHECK ONE.)

PERCENT

- 7 1. [ ] 1 month or less
- 16 2. [ ] More than 1 month but less than 3 months
- 9 3. [ ] More than 3 months but less than 6 months
- 17 4. [ ] More than 6 months but less than 12 months
- 1 5. [ ] More than 12 months but less than 24 months
- 0 6. [ ] More than 24 months
- 15 7. [ ] Don't know length of time
- 22 8. [ ] Problem not resolved
- 13 9. [ ] Don't know if problem is resolved because I have not received final IRS notification. (31)

GO TO QUESTION 16

14. About how many times did you contact IRS BEFORE your problem was resolved? (FILL IN THE BLANK OR CHECK ONLY ONE.)

<u>NUMBER OF CONTACTS</u>	<u>PERCENT</u>
0-1	18
2 or more	46
Don't know number of contacts	15
Problem not resolved	21

15. About how long was it AFTER your first contact with IRS but BEFORE your problem was resolved? (CHECK ONE.)

- | <u>PERCENT</u> |                                                    |
|----------------|----------------------------------------------------|
| 15             | 1. [ ] 1 month or less                             |
| 25             | 2. [ ] More than 1 month but less than 3 months    |
| 17             | 3. [ ] More than 3 months but less than 6 months   |
| 20             | 4. [ ] More than 6 months but less than 12 months  |
| 1              | 5. [ ] More than 12 months but less than 24 months |
| 0              | 6. [ ] More than 24 months                         |
| 6              | 7. [ ] Don't know length of time                   |
| 16             | 8. [ ] Problem not resolved (34)                   |

16. We recognize how hard it may be to remember the number of contacts you made to IRS. To what degree are you confident about the accuracy of the number of contacts you made to IRS about this problem? (CHECK ONE.)

- | <u>PERCENT</u> |                                 |
|----------------|---------------------------------|
| 9              | 1. [ ] Not at all confident     |
| 13             | 2. [ ] Somewhat confident       |
| 20             | 3. [ ] Moderately confident     |
| 34             | 4. [ ] Substantially confident  |
| 24             | 5. [ ] Extremely confident (35) |

17. To what extent, if at all, do you have written records of your contacts with IRS. (CHECK ONE.)

- | <u>PERCENT</u> |                                     |
|----------------|-------------------------------------|
| 41             | 1. [ ] No records of contacts       |
| 40             | 2. [ ] Some records of contacts     |
| 19             | 3. [ ] Records of all contacts (36) |

GO TO NEXT PAGE

**Appendix II  
Summary of Responses by Taxpayers Who  
IRS Records Showed Were Not Assisted by  
the Problem Resolution Program**

**SECTION III: SATISFACTION**

18. How satisfied or dissatisfied were you with each of the following aspects of the IRS response to your question or problem AFTER your question or problem was resolved? (CHECK ONE BOX FOR EACH ROW.)

ASPECT	PERCENT					
	Very satisfied	Generally satisfied	Neither satisfied nor dissatisfied	Generally dissatisfied	Very dissatisfied	NO RESPONSE FROM IRS
	1	2	3	4	5	6
1. Length of time to get a response from IRS	11	23	14	20	30	2
2. Accuracy of response	17	29	13	14	26	1
3. Number of contacts I made to IRS	12	20	15	23	28	2
4. Ease of getting through to someone at IRS by telephone	10	22	11	16	40	1
5. How clear or easy it was to understand what IRS was telling me	19	35	14	15	16	1
6. Courtesy of IRS response	27	38	15	10	10	0
7. Other (SPECIFY)						
8. Overall evaluation	11	28	14	21	25	1

COMMENTS ON ANY ABOVE ASPECTS:

19. Please list the number of the ONE aspect (1 through 7 above) which contributed most to your overall satisfaction and/or the ONE aspect which contributed most to your overall dissatisfaction with the handling of your problem by IRS. (FOR EACH ITEM BELOW, CHOOSE ONE ASPECT NUMBER OR LIST "N/A" IF NONE APPLY.)

Aspect	PERCENT	
	Satisfaction	Dissatisfaction
Length of time	7	18
Accuracy of response	18	11
Number of contacts	2	12
Ease of getting through by telephone	9	30
Clarity of response	11	5
Courtesy of response	26	3
Other	1	7
None apply	26	14

**SECTION IV: OTHER INFORMATION AND COMMENTS**

20. Who is completing this questionnaire? (CHECK ONE.)

- PERCENT
- 83 1.  Individual taxpayer or business
- 9 2.  Friend or relative
- 5 3.  Professional preparer (e.g. accountant or tax preparer)
- 3 4.  Other (PLEASE SPECIFY.)

(48)

21. What is the highest level of education attained by the taxpayer who had this question or problem or the taxpayer you are representing? (CHECK ONE.)

- PERCENT
- 8 1.  Non high school graduate
- 27 2.  High school graduate or equivalent
- 26 3.  Some college
- 15 4.  College graduate
- 6 5.  Some advanced degree courses
- 13 6.  Advanced degree
- 3 7.  Not applicable because taxpayer is a business (49)
- 2 8.  Don't know

22. What is today's date? (LIST DATE.)

(month) / (day) / (year) 50-55

23. If you had difficulty understanding correspondence from IRS, please enclose a copy of any notices, letters or such other correspondence from IRS related to your question or problem that were especially troublesome to you. Please CIRCLE the troublesome items.

24. If you have additional comments related to any item in this questionnaire or to taxpayer assistance services, please add them on this page.

(56)

THANK YOU FOR RESPONDING.

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# Sampling and Data Analysis Methodology

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This appendix describes how we selected the taxpayers in our sample and how we projected the sample data. Included in this appendix are tables showing the statistical sampling errors for the major figures in the report.

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## Sampling Methodology

Surveys allow us to draw conclusions about the total population being studied on the basis of information from a randomly selected sample. The responses of the sample are estimates of how the total population would have responded if all had been sent the questionnaire. The key to accurate estimates rests on randomness. Under mathematical sampling theory, every member of the population must have an equal chance of being included in the sample. However, there is likely to be some error because only a portion of the universe has been selected for analysis. The sampling error is presented here so that the reader can estimate the range of possible results for each question if different taxpayers had been selected in the sample. We selected a sample size to ensure that we would be 95-percent certain that the sample error rate would not be greater than 5 percent.

Questionnaires were developed and were pretested in January 1986. The questionnaires were mailed in April 1986. Two follow-up mailings were sent in June and July. Final follow-up through telephone contacts was conducted in September 1986.

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## Sample Selection and Scope

Two different groups were used to examine the effectiveness of PRP. The first group included those taxpayers who received PRP assistance (PRP group). In the second group were taxpayers who, according to IRS records, did not receive assistance through PRP (the non-PRP group).

For the PRP group, a stratified random sample of 1,164 taxpayers was obtained from 394,752 closed PRP cases contained on a computer tape provided to us by IRS. The computer tape contained less than the 477,037 closed PRP cases reported by IRS because some of the district offices and service centers purged information during the course of fiscal year 1985 to make their data bases more manageable. The sample was stratified by those taxpayers on the tape whose problems were resolved at district offices (i.e., 304,986 taxpayers) and those whose problems were resolved at service centers (i.e., 89,766 taxpayers).

Selecting the non-PRP group was difficult since IRS did not have the resources to identify every taxpayer who had made inquiries about

problems but who had not been referred to PRP. The best alternative data available at IRS for creating this control group were taxpayers who had called IRS district offices requesting assistance and had to have a follow-up IRS contact. The IRS district offices maintain taxpayer identification for these inquiries for 3 months.

Dallas, Detroit, Philadelphia, and San Francisco were selected on the basis of geographic diversity and number of inquiries. We randomly selected 1,268 taxpayers from the 47,337 who had contacted one of these district offices during September through December 1985. This sample is only representative of the district offices from which they were selected.

Another difficulty emerged in the non-PRP group. Between the time we selected these taxpayers and they answered our questionnaire, 26 percent had been referred to PRP. If it is assumed that those who did receive assistance through PRP would be more satisfied, the responses from this group would overstate the level of satisfaction in the non-PRP group.

Table III.1 shows the number of taxpayers in our samples and response data.

Table III.1: PRP and Non-PRP Sample Sizes and Response Rates

	Sample	Responses	Response rates (percent)
Problem Resolution Program group:			
District offices	577	414	72
Service centers	587	399	68
<b>Totals</b>	<b>1,164</b>	<b>813</b>	<b>70</b>
Non-Problem Resolution Program group:			
Dallas District Office	345	208	60
Detroit District Office	275	179	65
Philadelphia District Office	362	250	68
San Francisco District Office	286	177	62
<b>Totals</b>	<b>1,268</b>	<b>814</b>	<b>64</b>

## Weighting of the Samples

The samples consisted of 1,164 and 1,268 taxpayers for PRP and non-PRP respectively. Each of the samples was drawn from different strata. We weighted our samples so that a response for a member of a stratum would be represented in the same proportion as it was in the universe.

We have shown all our questionnaire results in percentages that reflect the weights.

## Sampling Errors

Our sampling plan was designed to provide a sample size that would yield an expected sampling error of not greater than 5 percent at the 95 percent confidence level. However, the actual sampling error on any question depends upon the percentage of the sample that actually responded to the question. We computed sampling errors for all questions in our surveys. Tables III.2 and III.3 list the questions in each questionnaire with maximum sampling errors greater than +/- 5 percent.

**Table III.2: PRP Questions With Maximum Sampling Error Greater Than +/- 5 Percent**

	Question	Percent
7	Number of contacts within first 6 weeks	9.0
8	Number of contacts after 6 weeks	9.0
9	Length of time after 6 weeks passed but before PRP date	8.9
10	Number of contacts within 3 months	5.6
11	Number of contacts after 3 months but before PRP date	5.6
12	Length of time between 3 months but before PRP date	5.6
13	Number of contacts after first notice	5.2
14	Number of contacts after second notice	5.4
15	Number of contacts after third notice	5.3
16	Number of contacts made to IRS	5.1
17	Length of time between third notice but before PRP date	5.6
18	Number of contacts before PRP date	8.3
19	Length of time between first contact and before PRP date	8.4

**Table III.3: Non-PRP Questions With Maximum Sampling Error Greater Than +/- 5 Percent**

	Question	Percent
6	Number of contacts within 3 months	5.4
8	Length of time after 3 months but before refund was received	5.3
9	Number of contacts after first notice	9.6
10	Number of contacts after second notice	9.4
11	Number of contacts after third notice	9.8
12	Total number of contacts made to IRS	8.2
13	Length of time from third contact to resolution	8.9
14	Number of contacts before resolution	11.2
15	Time between first contact and resolution	11.5
18	Other satisfaction/dissatisfaction	10.5
19	Aspect contributing most to satisfaction/ dissatisfaction	5.1

# Comments From the Internal Revenue Service



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SEP 14 1987

Mr. William J. Anderson  
Assistant Comptroller General  
General Government Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

We appreciate the opportunity to review your recent draft report on "Tax Administration: IRS Can Improve on the Success of its Problem Resolution Program."

We completely agree that by making improvements to our normal assistance programs, we will lessen the need for Problem Resolution. However, while we found your report helpful, major changes have been made in all of our operations, including Problem Resolution, since the period covered by the review. As the report indicates, your review was requested by the Senate Finance Committee because of the many problems experienced by the Service during the 1985 filing period. The Service has responded to those problems by undertaking a significant number of initiatives to improve the quality and responsiveness of our operations. We believe that the successful 1986 and 1987 filing periods have demonstrated the major improvements and positive changes that we have made and the current decline in the number of taxpayers needing Problem Resolution assistance bears that out.

We have enclosed detailed comments on the report's recommendations. We have also provided GAO staff with technical comments to clarify or correct the report as well as to provide additional information on the Problem Resolution Program's new quality assurance procedures. We hope these are useful in preparing your final report.

With best regards,

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry E. Galt".

Enclosure

INTERNAL REVENUE SERVICE  
COMMENTS ON RECOMMENDATIONS CONTAINED IN GAO DRAFT REPORT  
"TAX ADMINISTRATION: IRS CAN IMPROVE ON THE SUCCESS  
OF ITS PROBLEM RESOLUTION PROGRAM

Recommendation

Redesign the account referral form used by IRS employees and notices sent to taxpayers so that information is obtained on the number of prior taxpayer contacts and the time period during which the taxpayer attempted to resolve a problem.

Comment: The 1721 Letter, which is used by Taxpayer Service employees to record a taxpayer's refund inquiry for research, now has a section for documenting the number of times a taxpayer has previously contacted the IRS and a history of the correspondence to or from the Service. This information is used by employees to determine if the taxpayer meets the criteria for referral to the Problem Resolution Program (PRP). Each Taxpayer Service employee receives training on the criteria for PRP. In fact, this training has been moved from the on-the-job portion into the formal classroom training given all new employees.

In the past two years, two separate Communications Workshops have been developed which have been given to all Taxpayer Service employees. These workshops emphasize the need to probe for sufficient information in order to understand the taxpayer's situation. In this way, an appropriate response can be given or the taxpayer can be referred to the appropriate areas for resolution of their problem.

If the employee determines that the situation appears to meet the PRP criteria, the account referral form is not prepared; rather, a Form 5543, Problem Resolution Program Record, is prepared and forwarded to the Problem Resolution Office. The account referral form is only prepared on those calls where a determination has been made that the case does not meet PRP criteria, but should be handled by the account referral area.

A new chapter on quality has been added to IRM 1279, Problem Resolution Program Handbook. A requirement for quality in PRP casework is for the problem to be identified when the criteria is first met. Therefore, a major effort for assuring quality in PRP is the requirement that each function conduct on-going reviews for proper case identification. In Taxpayer Service this is accomplished through their quality assurance programs and quality review. Beginning with FY 1987, Taxpayer Service incorporated PRP cases into their Quality Review Sample Plan.

We believe that our new training and instructions have improved our ability to determine when and if the taxpayer qualifies for PRP intervention. We also believe that our new and revised quality assurance procedures are a better method for measuring if cases are being identified promptly.

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Therefore, adding a section on prior contacts to the account referral form, which is not used if the problems meets PRP criteria, would be a duplication of effort.

Recommendation

Revise IRS notices to request that taxpayers who have questions use the toll-free telephone system before writing to a service center.

Comment: We agree that in most cases it is most cost effective and faster for a taxpayer to call the toll-free site than to write to a service center and all IRS notices do provide the toll-free number for the taxpayer. We are actively involved in several programs which are designed to reduce the need for taxpayers to contact the Service and to facilitate quick resolution of problems when contact is necessary.

Taxpayer Service employees in districts have been given expanded account duties nationwide. This includes the authority to input IDRS adjustments to resolve taxpayer account problems. These expanded duties allow our employees to be more responsive to taxpayers' problems the first time the taxpayer contacts us.

The Service has recently begun a Notice Clarity Quality Improvement Project. This project was initiated because we recognize that taxpayers continue to have difficulties with our written notices and bills. The objective of this study is to determine the specific nature of the problems taxpayers are having with our notices and then make recommendations for improving the notices, so that they clearly inform the taxpayer of what has happened and what action we expect from that taxpayer.

The Nashville District has been selected to test the feasibility and effectiveness of a separate toll-free number to be used only for questions about notices. These calls go directly to assistors who have specific training and IDRS access so that they can quickly resolve taxpayers' problems. This test began July 6, 1987, and will run for one year. It is closely monitoring the number of calls received, which notices are causing taxpayers to call, which notices can be handled by the toll-free sites, what additional training may be needed by the assistors, and the adequacy of available IDRS information for assisting the taxpayers.

-3-

Recommendation

Improve the usefulness of the PRP questionnaire follow-up effort by (1) including questions on when contacts were made to assess how well IRS employees are identifying special assistance cases, (2) including questions addressing the reasons for taxpayers repeated contacts to IRS, (3) revising the question assessing taxpayer satisfaction to avoid prompting taxpayers to give a positive response, (4) monitoring and evaluating the appropriateness of service center and district office decisions to exclude certain taxpayers from follow-up, and (5) obtaining a more statistically projectable response rate.

Comment: We agree with the need to revise the follow-up questionnaire and are currently considering a new draft. The new draft will ask specific questions about when prior contacts were made and why taxpayers had to keep contacting the Service. We will also reword the question assessing taxpayer satisfaction to be neutral, giving a range of responses from satisfied to dissatisfied. Text 335 of IRM 1279, in the new chapter on quality, requires the review of cases exempted from follow-up. Our current follow-up procedures were developed by our Statistics of Income Division to provide a statistically valid sample. We will have Statistics of Income Division review the concerns contained in the report regarding the validity of the sample.

Recommendation

Obtain more complete and accurate information on recurring problems by having only a select number of trained employees code a statistically projectable sample of special assistance cases they handle.

Comment: Our case codes are entered on Form 5543, Problem Resolution Record, when the case is closed and, from this form, are input into our computerized management information system, PROMIS (Problem Resolution Office Management Information System). Because of validity checks built into this system, a case cannot be closed on PROMIS without a case code. Therefore, we could not make the recommended change without major reprogramming. At the present time, a PRP task force is reviewing the entire management information system and will be recommending major revisions to PROMIS. As part of that effort, we have requested that our field PRP offices review the current case coding system and make recommendations for how it could be made more effective and had planned to use that information when redesigning PROMIS. We will consider your recommendation along with our field input.